



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-02	BOARD MEETING: August 25, 2015	PROJECT NO: 15-024	PROJECT COSTS: Original: \$0
FACILITY NAME: Fresenius Medical Care Chicago		CITY: Chicago	
<b>TYPE OF PROJECT:</b> Non-Substantive			<b>HSA:</b> VI

**PROJECT DESCRIPTION:** The applicants (Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Summit, LLC d/b/a Fresenius Medical Care Chicago) are requesting a change of ownership of a 21 station ESRD facility located in Chicago, Illinois. There is no cost to the project. **The anticipated project completion date is January 31, 2016.**

## EXECUTIVE SUMMARY

### PROJECT DESCRIPTION:

- The applicants (Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Summit, LLC d/b/a Fresenius Medical Care Chicago) are requesting a change of ownership of a 21 station ESRD facility located in Chicago, Illinois. There is no cost to the project. **The anticipated project completion date is January 31, 2016.**

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

- The project proposes a change of ownership of a health care facility as defined by the Act. 20 ILCS 3960/3

### PUBLIC COMMENTS:

- No letters of support or opposition were received by the State Board Staff and there was no request for a public hearing.

### CONCLUSIONS:

- **The applicants have attested the transaction is a corporate restructuring, resulting in the transfer of assets between two companies wholly owned by Fresenius Medical Care Holdings, Inc.**
  - there will be no change in stations or services being offered,
  - no change in the number of employees, and
  - no restrictions in the admission of patients or access to care.

**STATE BOARD STAFF REPORT**  
**Fresenius Medical Care Chicago**  
**Project #15-024**

<b>APPLICATION SUMMARY/CHRONOLOGY</b>	
Applicants	Fresenius Medical Care Holdings, Inc., WSKC Dialysis Services, Inc., and Fresenius Medical Care Summit, LLC d/b/a Fresenius Medical Care Chicago
Facility Name	Fresenius Medical Care Chicago
Location	1806 West Hubbard Street, Chicago, Illinois
Permit Holder	Fresenius Medical Care Holdings, Inc.
Operating Entity	Fresenius Medical Care Summit, LLC d/b/a Fresenius Medical Care Chicago
Owner of Site	Net3, LLC
Total Facility GSF	N/A
Can Applicants Request Another Deferral?	Yes
Project Type	Non-Substantive
Application Received	June 1, 2015
Application Deemed Complete	June 8, 2015
Review Period Ends	August 7, 2015
Obligation Date	August 25, 2015
Anticipated Project Completion Date	January 31, 2016

**I. The Proposed Project**

The applicants (Fresenius Medical Care Holdings, Inc. and Fresenius Medical Care Summit, LLC d/b/a Fresenius Medical Care Chicago) are requesting a change of ownership of a 21 station ESRD facility located in Chicago, Illinois. There is no cost to the project. **The anticipated project completion date is January 31, 2016.**

**II. Summary of Findings**

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

**B. The provisions of Part 1120 are not applicable to this application.**

**III. General Information**

The applicants are Fresenius Medical Care Holdings, Inc. WSKC Dialysis Services, Inc. and Fresenius Medical Care Summit, LLC d/b/a Fresenius Medical Care Chicago. The facility is located at 1806 West Hubbard Street, Chicago, Illinois. The operating entity will be Fresenius Medical Care Summit, LLC d/b/a Fresenius Medical Care Chicago and the owner of the site is Net3, LLC. WSKC Dialysis Services, Inc. and Fresenius Medical Care Summit, LLC are wholly owned, direct or indirect subsidiaries of Fresenius Medical Holdings, Inc. Under this proposed transaction WSKC Dialysis Services, Inc. will transfer fixed assets, leases and contracts used by WSKC Dialysis Services, Inc. to Fresenius Medical

Care Summit, LLC, to operate the Fresenius Medical Care Chicago. The facility is located in the HSA VI ESRD Health Service Area. HSA VI comprises the City of Chicago. Obligation will occur at the time of permit issuance and the completion date is January 31, 2016.

Below is a list of open Fresenius projects approved by the State Board.

<b>TABLE ONE</b>			
<b>Current Fresenius Projects</b>			
Project Number	Name	Project Type	Completion Date
#12-029	Fresenius SW Illinois	Relocation	12/31/2015
#12-095	Fresenius Waterloo	Establishment	12/31/2015
#12-098	Fresenius Monmouth	Establishment	12/31/2015
#13-008	Fresenius Chicago Kidney Center	Relocation	12/31/2015
#14-010	Fresenius Highland Park	Establishment	11/30/2015
#14-012	Fresenius Gurnee	Relocation/Expansion	12/31/2015
#14-019	Fresenius Summit	Establishment	12/31/2015
#13-040	Fresenius Lemont	Establishment	9/30/2016
#14-041	Fresenius Elgin	Expansion	6/30/2016
#14-026	Fresenius New City	Establishment	6/30/2016
#14-047	Fresenius Humboldt Park	Establishment	12/31/2016
#14-059	Fresenius Glendale Heights	Expansion	1/31/2016
#15-011	Fresenius McLean County	Change of Ownership	12/31/2015

#### **IV. Section Background of Applicants and Safety Net Impact**

##### **A) Criterion 1110.530 (b) (1) (3) - Background of Applicants**

The applicants attested to the following:

*“In accordance with Section III, A (2) of the Illinois Health Facilities & Services Review Board Application for Certificate of Need; I do hereby certify that no adverse actions have been taken against Fresenius Medical Care Holdings, Inc. 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 & Services Review Board; and In regards to section III, A (3) of the Illinois Health Facilities & Services Review Board Application for Certificate of Need; I do hereby authorize the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of this subsection or to obtain any documentation or information that the State Board or Agency finds pertinent to this subsection.”*

##### **B) Criterion 1110.230 (b) – Safety Net Impact**

The change of ownership of the Fresenius Medical Care Chicago dialysis facility will not have any impact on safety net services in the city of Chicago. Outpatient dialysis services are not typically considered "safety net" services, to the best of our knowledge. However,

we do provide care for patients in the community who are economically challenged and/or who are undocumented aliens, who do not qualify for Medicare/Medicaid pursuant to an Indigent Waiver policy. We assist patients who do not have insurance in enrolling when possible in Medicaid and/or Medicaid as applicable, and also our social services department assists patients who have issues regarding transportation and/or who are wheel chair bound or have other disabilities which require assistance with respect to dialysis services and transport to and from the unit. This particular application will not have an impact on any other safety net provider in the area, as no hospital within the area provides dialysis services on an outpatient basis. Fresenius 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 patients who do not qualify for any type of coverage for dialysis services. These patients are considered "self-pay" patients. They are billed for services rendered, and after three statement reminders the charges are written off as bad debt. Collection actions are not initiated unless the applicants are aware that the patient has substantial financial resources available and/or the patient has received reimbursement from an insurer for services we have rendered, and has not submitted the payment for same to the applicants. Fresenius notes that as a for profit entity, it does pay sales, real estate and income taxes. It also does provide community benefit by supporting various medical education activities and associations, such as the Renal Network and National Kidney Foundation.

<b>TABLE ONE</b>			
<b>Charity Care and Medicaid Information Fresenius Medical Care Facilities in Illinois</b>			
<b>CHARITY CARE</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Net Revenue</b>	<b>\$387,393,758</b>	<b>\$398,570,288</b>	<b>\$411,981,839</b>
<b>Charity (# of self-pay patients)</b>	203	499	254
<b>Charity (self-pay) Cost</b>	\$1,536,372	\$5,346,976	\$5,211,664
<b>Ratio Charity Care Cost to Net Patient Revenue</b>	0.40%	1.34%	1.27%
<b>MEDICAID</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Medicaid (Patients)</b>	1,705	1,660	750
<b>Medicaid (Revenue)</b>	\$36,254,633	\$31,373,534	\$22,027,882
<b>Ratio Medicaid to Net Patient Revenue</b>	9.36%	7.87%	5.35%
<b>CHARITY CARE</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Net Revenue</b>	<b>\$387,393,758</b>	<b>\$398,570,288</b>	<b>\$411,981,839</b>
<b>Amount of Charity Care (Charges)</b>	\$1,566,380	\$5,346,976	\$5,211,664
<b>Cost of Charity Care</b>	\$1,556,380	\$5,346,976	\$5,211,664

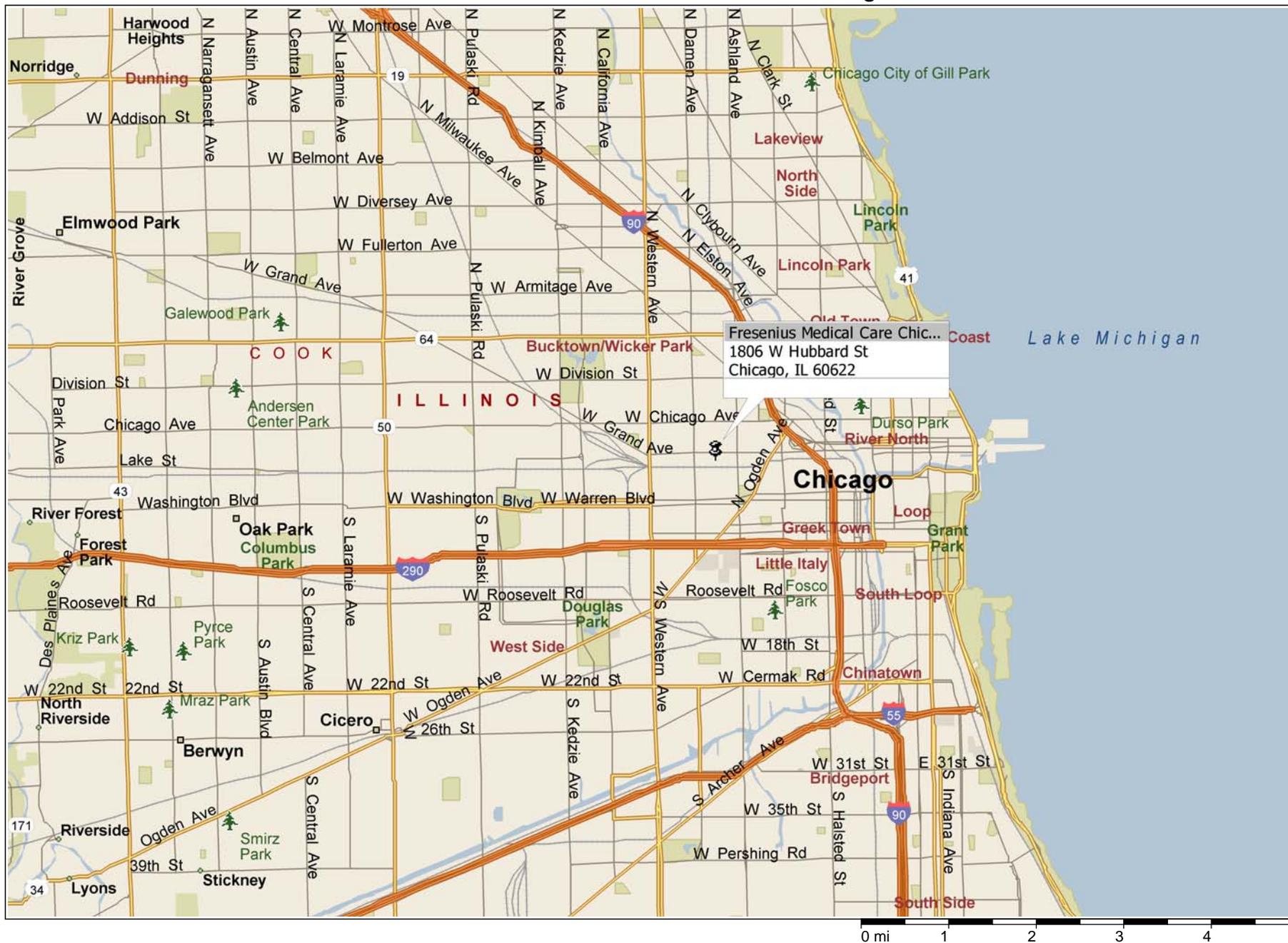
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<b>Ratio Charity Care Cost to Net Patient Revenue</b>	0.40%	1.34%	1.27%

**V. Section VI - Mergers, Consolidations and Acquisitions/Changes of Ownership**

**A) Criterion 1110.240 (b) (c) - Impact Statement Access**

Per the applicants “The proposed change of ownership will not result in the reduction or addition of stations at the existing certified dialysis facility. The current owner/operator of the facility is WSKC Dialysis Services, Inc., (whose ultimate parent entity is Fresenius Medical Care Holdings, Inc.) and will be owned/operated by Fresenius Medical Care Summit, LLC, (whose ultimate parent entity is also Fresenius Medical Care Holdings, Inc.), after the change of ownership. There will be no reduction in employees at the facility for a period of two years from the date of change of ownership other than in the normal course of business. There is no cost associated with this transaction. There will be no changes to patient admissions and no reduction in access to dialysis services as a result of the change of ownership. The admission policies of the facility involved will not become more restrictive. Facilities owned and operated by Fresenius Medical Care Chicago, LLC, accept all patients regardless of ability to pay. They are "open" facilities from the standpoint of granting privileges to any physician who wishes to admit patients to the facility. The facility currently operates under the Fresenius Medical Care Holdings, Inc. Admissions Policies and will remain operating under the Fresenius Medical Care Holdings, Inc. Policies, a copy of which are attached. These policies will not change. The preferred Fresenius model of ownership is for our facilities to be wholly owned, however we do enter into Joint Ventures on occasion. The Chicago facility will likely be one of those occasions due to the fact that the physicians desire to serve this community as well as investing in the facility. Changing ownership of the Chicago facility from WSKC Dialysis Services, Inc. to Fresenius Medical Care Summit, LLC will allow for this investment should it occur. Fresenius Medical Care will maintain control of the governance, assets and operations of the facility as if physicians do invest in this facility their investment will be a minority interest only and will not allow them control of the facility.”

# #15-024 Fresenius Medical Care Chicago



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# END STAGE RENAL DIALYSIS - FACILITY PROFILE 2013

## Ownership, Management and General Information

<b>Name:</b>	Fresenius Medical Care Chicago	<b>Legal Entity Operator:</b>	WSKC Dialysis Services, Inc.
<b>Address:</b>	820 West Jackson	<b>Legal Entity Owner:</b>	
<b>City:</b>	Chicago	<b>Ownership Type:</b>	For Profit Corporation
<b>County:</b>	Cook	<b>Property Owner:</b>	820 W. Jackson, LLC
<b>HSA:</b>	6	<b>Other Ownership:</b>	
<b>Medicare ID:</b>	14-2506	<b>Medical Director Name:</b>	Dr. George Dunea
		<b>Provides Incenter Nocturnal Dialysis:</b>	<input type="checkbox"/>

### STATION INFORMATION

Authorized Stations as of 12/31/2013:	21
Certified Stations by CMS:	21
Peak Authorized Stations Operated:	21
Authorized Stations Setup and Staffed in Oct 1-7:	21
Isolation Stations Set up in Oct 1-7: (subset of authorized stations)	3
Number of Shifts Operated per day	

### FACILITY STAFFING - FULL TIME EQUIVALENT

Full-Time Work Week:	32
Registered Nurse :	3
Dialysis Technician :	6
Dietician :	0
Social Worker:	0
LPN :	1
Other Health :	0
Other Non-Health:	1

### Dialysis Station Utilization for the Week of Oct 1 - 7

Date of Operation	Oct 1	Oct 2	Oct 3	Oct 4	Oct 5	Oct 6	Oct 7
Hours operated	12	17	12	17	12	0	17
Number of Patients Treated	21	34	20	37	17	0	37

## Facility Utilization Information

### Facility Reported Patient Information

Patients treated as of 1/1/2013: (Beginning patients)	71
Patients treated as of 12/31/2013: (Ending patients)	66
Total Unduplicated patients treated in calendar year:	105

### Facility Reported Treatment Information

In-Center Treatments in calendar year:	9,297
Number of Missed Treatments:	1,444
Average Daily Treatments:	
Average Treatment Time (min):	300.0

### ADDITIONS to the FACILITY

New Patients:	5
Transient Patients:	19
Patients Re-Started:	3
Post-Transplant Patien	0
Total:	27

### LOSSES to the FACILITY

Recovered patients:	0
Transplant Recipients:	1
Patients transferred out:	0
Patients voluntarily discontinued	1
Patients lost to follow up:	0
Patients deceased:	9
Total:	11

### USE RATE for the FACILITY

Treatment Capacity/year (based on Stations):	19,656
Use Rate (Treatments/Treatment capacity):	47%
Use Rate (including Missed Treatments):	55%
Use Rate (Beginning patients treated):	56%
Use Rate (Year end Patients/Stations*6):	52%
Renal Network Use Rate:	51%

### Patients and Net Revenue by Payor Source

	Medicare	Medicaid	Private Insurance	Private Pay	Other Public	TOTAL	Charity Care
	52.4%	32.4%	11.4%	3.8%	0.0%	100.0%	0.0%
Patient	55	34	12	4	0	105	0
1/1/2012 to 12/31/2012	47.4%	41.0%	10.0%	1.5%	0.1%	100.0%	0.0%
Net Revenue	\$1,373,912	\$1,189,327	\$289,701	\$43,747	\$2,114	\$2,898,802	\$0

### Patients by Age and Sex

AGE GROUPS	MALE	FEMALE	TOTAL
<14 yrs	0	0	0
15-44 yr	20	10	30
45-64 yr	29	16	45
65-74 yr	15	5	20
75 < yrs	6	4	10
Total	70	35	105

### Patients by Race

Asian Patients:	1
Native American/ Indian:	0
Black/ African American :	56
Hawaiian /Pacific Islande	0
White:	48
Unknown :	0
TOTAL:	105

### Patients by Ethnicity

Hispanic Latino Patients:	43
Non-Hispanic Latino Patien	62
Unknown Ethnicity Patients	0
TOTAL:	105

Fresenius Medical Care does not hold long term debt on any Illinois dialysis location balance sheet. Fresenius Medical Care does not, as a for profit corporation, provide charity care under the Board's definition of same; however, it treats all patients regardless of ability to pay and thus does provide uncompensated care.

Source: Data based on 2013 Annual ESRD Questionnaire administered on behalf of Illinois Department of Public Health, Health Systems Development.