

DOCKET NO: A-	BOARD MEETING: August 12-13, 2008	PROJECT NO: 08-025	PROJECT COST: Original: \$0 Current:
FACILITY NAME: Bio Medical Applications of Illinois, Inc. d/b/a Bio Medical Applications West Belmont		CITY: Chicago	
TYPE OF PROJECT: Non-Substantive			HSA: VI

PROJECT DESCRIPTION: The applicants are proposing a change of ownership involving an internal corporate restructuring whereby 100% of the stock of Bio-Medical Applications of Illinois, Inc. will be transferred to National Medical Care Inc. There is no cost to this project.

Applicants	Bio-Medical Applications of Illinois, Inc. d/b/a Bio Medical Applications West Belmont National Medical Care, Inc. Fresenius Medical Care Holdings, Inc.
Facility Name	Bio-Medical Applications of Illinois, Inc. d/b/a Bio Medical Applications West Belmont
Location	Marion, Illinois
Application Received	April 3, 2008
Application Deemed Complete	April 23, 2008
Scheduled Review Period Ended	June 22, 2008
Review Period Extended by the State Agency?	No
Public Hearing Requested?	No
Applicants' Deferred Project?	No
Can Applicants Request Deferral?	Yes
Applicants' Modified the Project?	No

STATE AGENCY REPORT

Bio Medical Applications of Illinois, Inc. d/b/a
Bio Medical Applications West Belmont
Chicago, Illinois
#08-025

I. The Proposed Project

The applicants are proposing a change of ownership involving an internal corporate restructuring whereby 100% of the stock of Bio-Medical Applications of Illinois, Inc. will be transferred to National Medical Care Inc. There is no cost for this project.

II. Summary of Findings

- A. The State Agency finds the proposed project appears to be in conformance with the provisions of Part 1110.
- B. The State Agency finds the proposed project does **not** appear to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are Bio-Medical Applications of Illinois, Inc. d/b/a Bio Medical Applications West Belmont, National Medical Care, Inc., and Fresenius Medical Care Holdings, Inc. Bio-Medical Applications of Illinois, Inc. d/b/a Bio Medical Applications West Belmont is located in HSA V. This is a non-substantive

Category A project, which is subject to both a Part 1110 and Part 1120 review. An opportunity for public hearing was offered, but none was requested. Project obligation is contingent upon permit issuance. The anticipated project completion date is December 1, 2008.

IV. The Proposed Project - Details

Bio-Medical Applications West Belmont (a 10 station ESRD facility) is currently operated by Bio - Medical Applications of Illinois, Inc., a Delaware corporation that is qualified to do business in Illinois. The facility is located at 4848 W. Belmont, Chicago, IL 60641. Due to an internal corporate restructuring, one hundred percent (100%) of the stock of Bio-Medical Applications of Illinois, Inc. will transfer to National Medical Care, Inc.

Due to an internal corporate restructuring, one hundred percent (100%) of the stock of Bio-Medical Applications of Illinois, Inc. will be transferred to National Medical Care, Inc. Bio - Medical Applications of Illinois, Inc. will remain the licensed operating entity. This transaction is considered a change of ownership under current State Board rules because there will be a change in control of a licensed health care facility (77 IAC 1130.140). The facility's current utilization as of March 31, 2008 is 71.67%.

V. Project Costs and Sources of Funds

There is no cost to the proposed change of ownership.

VI. General Review Criteria

A. Criterion 1110.230(b) - Background of Applicants

The criterion states:

- "1) The applicant shall 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 [20 ILCS 3960/6]. In evaluating the fitness of the applicant, the State Board shall consider whether adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application."

The applicants provided licensure and certification information as required. The applicants certified they have not had any adverse actions

within the past three years. It appears the applicants are fit, willing and able and have the qualifications, background and character to adequately provide a proper standard of healthcare service for the community.

THE STATE AGENCY NOTES THE APPLICANTS HAVE MET THE REQUIREMENTS OF THE BACKGROUND OF APPLICANT CRITERION (77 IAC 1110.230(b)).

VII. Changes of Ownership, Mergers and Consolidations

A. Criterion 1110.240(b) - Impact Statement

The criterion states:

“The applicant must submit an impact statement which details any proposed changes in the beds or services currently offered, who the anticipated operating entity will be, the reason for the transaction, any anticipated additions or reductions in employees, and a cost/benefit analysis of the transaction. The statement must reflect at least a two-year period following the date of the change of ownership, merger or consolidation.”

The applicants provided an impact statement (page 21 of the application), which detailed there would be no change in the services offered, no addition or reduction in employees, no cost or benefit associated with the transaction, now or in the next two years. It appears the applicants have met the requirements of this criterion.

THE STATE AGENCY NOTES THE APPLICANTS HAVE MET THE REQUIREMENTS OF THE IMPACT STATEMENT CRITERION (77 IAC 1110.240(b)).

B. Criterion 1110.240(c) - Access

The criterion states:

“The applicant must document any changes which may result in the restriction of patient admissions and document that no reductions in access to care will result from the transaction. Documentation shall consist of a written certification that the admission policies of the facilities involved will not become more restrictive and the submission of both the

current formal admission policies of all institutions involved and the anticipated policy following completion of the project.”

The applicants’ state there will be no change in the admission policies or a reduction in access to care currently in effect at the facility. A copy of the admission policies was provided as required (pages 21 of the application).

THE STATE AGENCY NOTES THE APPLICANTS HAVE MET THE REQUIREMENTS OF THE ACCESS CRITERION (77 IAC 1110.240(c)).

C. Criterion 1110.240(d) - Health Care System

The criterion states:

- “1) The applicant must document that:
 - A) the applicant's care system will not restrict the use of other area care providers; or
 - B) the project improves access to services previously unavailable in the community because of the structure of the applicant's care system.
- 2) Documentation must detail the current and proposed relationship with those health care or health related organizations which are to be owned (in whole or in part), affiliated, operated, or under management contract with the applicant and provide the following:
 - A) all care system service providers and services offered including location, types of services, number of beds, and utilization levels for provided services over the last 12-month period; and
 - B) the proposed relationship of the project to the care system. Data should include where referrals for categories of service not available at the proposed project will be made, how duplication of services will be resolved, time and travel factors involving referrals within the care system and any organization policies concerning the use of care system providers over other area providers.”

The applicants state the applicant's care system will not restrict the use of other area care providers. The applicants provided assurance that the proposed transaction will not have an adverse impact on any area provider, or result in a duplication of services, or make available any services not currently available in the planning area.

THE STATE AGENCY NOTES THE REQUIREMENTS OF THE HEALTH CARE SYSTEM CRITERION (77 IAC 1110.240(d)) ARE NOT APPLICABLE TO THIS PROJECT.

VIII. Financial Feasibility Review Criteria

A. Criterion 1120.210(a) - Financial Viability

The criterion states:

- “1) Viability Ratios
 Applicants (including co-applicants) must document compliance with viability ratio standards detailed in Appendix A of this Part or address a variance. Applicants must document compliance for the most recent three years for which audited financial statements are available. For Category B applications, the applicant also must document compliance through the first full fiscal year after project completion or for the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later, or address a variance.
- 2) Variance for Applications Not Meeting Ratios
 Applicants not in compliance with any of the viability ratios must document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.”

Table Two displays the current applicant’s financial information. This is a Type A project projected ratios are not required because the establishment of a new service or a new entity is not being proposed.

TABLE ONE Applicants’ Financial Ratio Information Fresenius Medical Care Holdings, Inc.					
Ratio	State Standard	Historical			Projected
		2004	2005	2006	
Current Ratio	>=1.5	1.0	.08	.7	NA
Net Margin Percentage	>=3.5%	5.9	5.8	5.8	NA
Percent Debt to Total Capitalization	<=80%	30.3	32.6	41.8	NA
Projected Debt Service Coverage	>=1.75	.01	.03	.02	NA
Days Cash on Hand	>=45	.003	2.371	6.416	NA
Cushion Ratio	>=5	.000	.17	.55	NA

Fresenius Medical Care Holdings, Inc. does not meet the State Board standard for the current ratio, projected debt service coverage, days' cash on hand, and the cushion ratio for all years presented. National Medical Care, Inc. and Bio Medical Applications of Illinois, Inc. do not have audited financial statements. The financial information for these two entities is consolidated into the audited financial statements of Fresenius Medical Care Holdings, Inc. Consolidated financial statements present an aggregated look at the financial position of a parent and its subsidiaries. Under current accounting rules, the parent company (Fresenius Medical Care Holdings, Inc.) must present its subsidiary's and its own financial operations in a consolidated manner (even though the two companies may be separate legal entities). The parent company does so by publishing a consolidated financial statement, which combines the assets, liabilities, revenue, and expenses of the parent company as well as those of its affiliates (that is, its subsidiaries, associates, and joint ventures).

THE STATE AGENCY NOTES THE APPLICANTS HAVE NOT MET THE REQUIREMENTS OF FINANCIAL VIABILITY CRITERION (77 IAC 1120.210(a)).

B. Criterion 1120.210(b) - Availability of Funds

The criterion states:

"The applicant must document that financial resources shall be available and be equal to or exceed the estimated total project cost and any related cost."

There is no cost to this transaction. This criterion is not applicable to this project.

THE STATE AGENCY NOTES THE REQUIREMENTS OF CRITERION (77 IAC 1120.210(b)) AVAILABILITY OF FUNDS CRITERION IS NOT APPLICABLE TO THIS PROJECT.

C. Criterion 1120.210(c) - Operating Start-up Costs

The criterion states:

"The applicant must document that financial resources shall be available and be equal to or exceed any start-up expenses and any initial operating deficit."

This is an ongoing health care facility; there are no operating start-up costs for this project.

THE STATE AGENCY NOTES THE OPERATING START-UP COSTS

CRITERION (77 IAC 1120.210(c) IS NOT APPLICABLE TO THE PROJECT.

IX. Economic Feasibility Review Criteria

A. Criterion 1120.310(a) - Reasonableness of Financing Arrangements

The criterion states:

“This criterion is not applicable if the applicant has documented a bond rating of "A" or better pursuant to Section 1120.210. An applicant that has not documented a bond rating of "A" or better must document that the project and related costs will be:

- 1) funded in total with cash and equivalents including investment securities, unrestricted funds, and funded depreciation as currently defined by the Medicare regulations (42 USC 1395); or
- 2) funded in total or in part by borrowing because:
 - A) a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order that the current ratio does not fall below 2.0 times; or
 - B) borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60 day period. The applicant must submit a notarized statement signed by two authorized representatives of the applicant entity (in the case of a corporation, one must be a member of the board of directors) that attests to compliance with this requirement.

This criterion is not applicable because there is no debt involved with proposed change of ownership.

THE STATE AGENCY NOTES THE REQUIREMENTS OF CRITERION (77 IAC 1120.310 (a)) REASONABLENESS OF FINANCING ARRANGEMENTS ARE NOT APPLICABLE TO THIS PROJECT.

B. Criterion 1120.310 (b) Conditions of Debt Financing

The criterion states:

“The applicant must certify that the selected form of debt financing the project will be at the lowest net cost available or if a more costly form of financing is selected, that form is more advantageous due to such terms as

prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs, and other factors. In addition, if all or part of the project involves the leasing of equipment or facilities, the applicant must certify that the expenses incurred with leasing a facility and/or equipment are less costly than constructing a new facility or purchasing new equipment. Certification of compliance with the requirements of this criterion must be in the form of a notarized statement signed by two authorized representative (in the case of a corporation, one must be a member of the board of directors) of the applicant entity."

This criterion is not applicable because there is no debt involved with proposed change of ownership.

THE STATE AGENCY NOTES THE REQUIREMENTS OF CRITERION (77 IAC 1120.310 (b)) CONDITIONS OF DEBT FINANCING ARE NOT APPLICABLE TO THIS PROJECT.

C. Criterion 1120.310(c) - Reasonableness of Project and Related Costs

There are no costs associated with the proposed transaction.

THE STATE AGENCY NOTES THE APPLICANTS HAVE MET THE REQUIREMENTS OF CRITERION (77 IAC 1120.310 (c)) REASONABLENESS OF PROJECT AND RELATED COSTS.

D. Criterion 1120.310(d) - Projected Operating Cost

The criterion states:

"The applicant must provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later. Direct costs mean the fully allocated costs of salaries, benefits, and supplies for the service."

Projected operating costs per treatment are \$110.48. The State Board does not have standards for this cost.

THE STATE AGENCY NOTES THE APPLICANTS HAVE MET THE REQUIREMENTS OF CRITERION (77 IAC 1120.310 (d)) PROJECTED OPERATING COSTS.

E. Criterion 1120.310(e) - Total Effect of the Project on Capital Costs

The criterion states:

“The applicant must provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year after project completion or the first full fiscal year when the project achieves or exceeds target utilization pursuant to 77 Ill. Adm. Code 1100, whichever is later.”

This criterion is not applicable to Category A projects.

THE STATE AGENCY NOTES THE REQUIREMENTS OF CRITERION (77 IAC 1120.310 (e) TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS IS NOT APPLICABLE TO THIS PROJECT.

F. Criterion 1120.310 (f) Non-patient Related Services

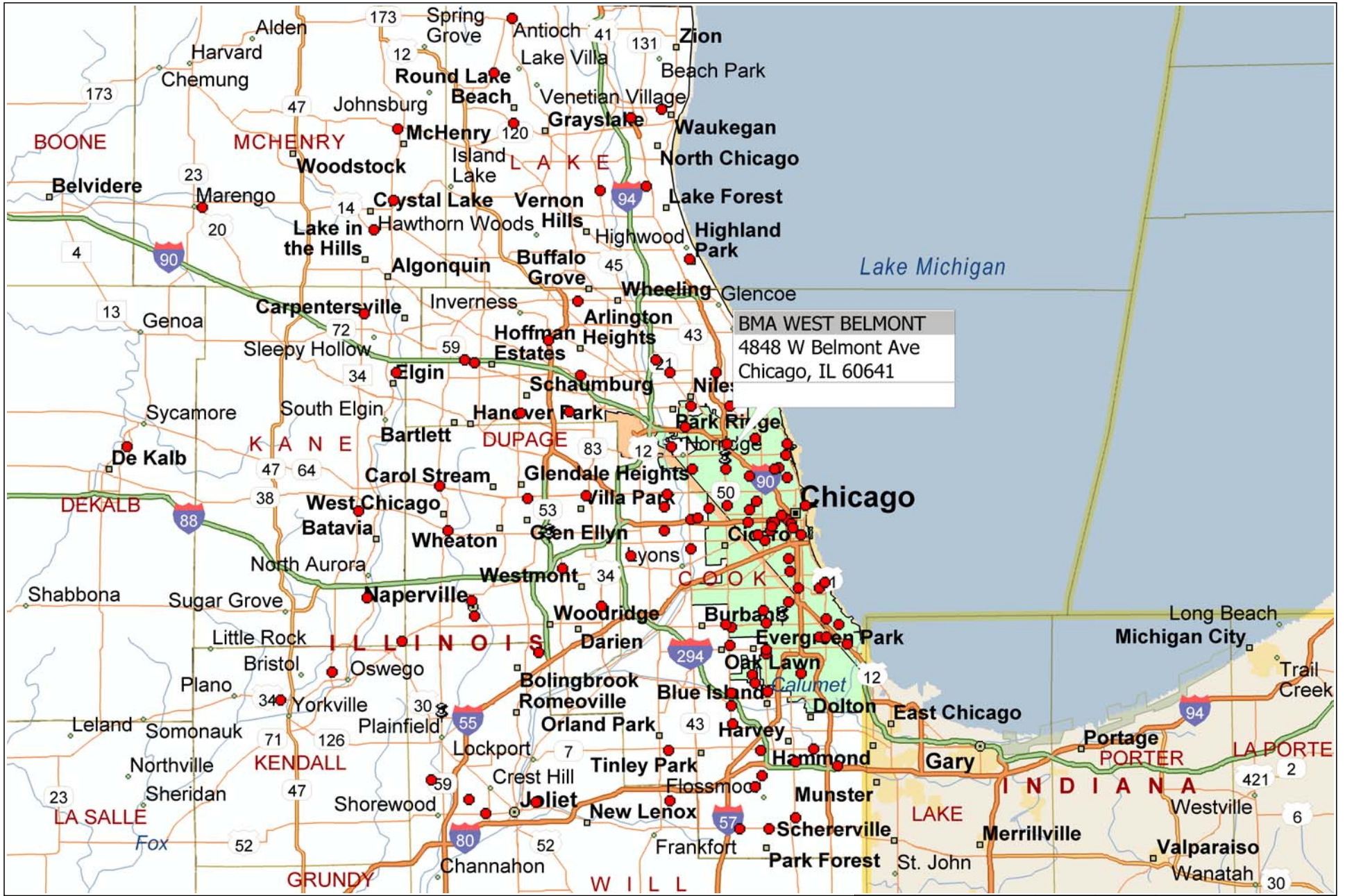
The criterion states:

“The applicant must document that projects involving non-patient related services (medical office buildings) will be self-supporting and not result in increased charges to patients or that increased charges to patients are justified based upon such factors as, but not limited to, a cost benefit or other analysis which demonstrates that the project will improve the applicant's financial viability.”

This criterion is not applicable to Category A projects.

THE STATE AGENCY NOTES THE REQUIREMENTS OF CRITERION (77 IAC 1120.310 (f) NON- PATIENT RELATED SERVICES IS NOT APPLICABLE TO THIS PROJECT.

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