

DOCKET NO: A-3	BOARD MEETING: June 6-7, 2006	PROJECT NO: 06-013	PROJECT COST: Original: \$1,837,977
FACILITY NAME: Fresenius Medical Care of Oswego		CITY: Oswego	Current:
TYPE OF PROJECT: Non-Substantive			HSA: IX

PROJECT DESCRIPTION: The applicants propose to establish a 10-station ESRD facility in 4,700 gross square feet of leased space.

STATE AGENCY REPORT

Fresenius Medical Care of Illinois, LLC,
National Medical Care, Inc. and
Fresenius Medical Care Holdings, Inc., d/b/a
Fresenius Medical Care of Oswego
Oswego, Illinois
Project #06-013

I. The Proposed Project

The applicants propose to establish an end stage renal disease (“ESRD”) treatment facility to be known as Fresenius Medical Care of Oswego, consisting of 10 dialysis stations in 4,700 gross square feet (“GSF”) of leased space. The total estimated project cost is \$1,837,977.

II. Summary of Findings

- A. The State Agency finds the proposed project does **not** appear 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 Fresenius Medical Care of Illinois, LLC. (the operating entity), National Medical Care, Inc. and Fresenius Medical Care Holdings, Inc. The applicants propose to lease 4,700 GSF of space and “build-out” the interior of the building to establish a 10-station facility.

The proposed facility will be located at 1047, 1051 and 1053 Station Drive in Oswego, Kendall County in the HSA IX ESRD planning area. There are nine other ESRD facilities in HSA IX. There are three ESRD facilities within 30 minutes drive time of the proposed site.

This is a non-substantive project that is subject to both a Part 1110 and Part 1120 review.

A public hearing was offered on the proposed project, but none was requested. In addition, the State Agency received written comments from one organization, in opposition to the proposed project.

Project obligation will occur after permit issuance. The anticipated project completion date is March 30, 2007.

IV. The Proposed Project - Details

The applicants propose to establish a 10-station ESRD facility of 4,700 GSF in leased space. The proposed facility will be located at 1047, 1051, 1053 Station Drive in Oswego. The site is owned by Orchard Mill Group, LLC.

V. Project Costs and Sources of Funds

The total project cost is \$1,837,977 and includes \$928,250 that represents the fair market value ("FMV") of the 4,700 GSF being leased by the applicants and the FMV of equipment leases of \$142,025. The applicants are funding all remaining project costs from cash and securities. Table One displays cost and sources of funds information.

TABLE ONE	
Project Cost	Amount
Modernization	498,500
Contingencies	49,850
Architectural/Engineering Fees	49,352
Movable Equipment	170,000
Fair Market Value of Leased Space	928,250
Fair Market Value of Leased Equipment	142,025
Total	\$1,837,977
Sources of Funds	Amount
Cash and Securities	767,702
Leases space and equipment (fair market value)	1,070,275
Total	\$1,837,977

VI. Review Criteria -End Stage Renal Disease

A. Criterion 1110.1430(a) - Data System

The applicants indicate they will establish a data system at the proposed facility. The Proton Patient Tracking System will be utilized.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ABOVE REVIEW CRITERION.

B. Criterion 1110.1430(b) - Minimum Size of Renal Dialysis Center

The facility will contain 10 stations upon completion and be in conformance with the requirements of this criterion. The population of the Metropolitan Statistical Area ("MSA") where the facility will be located is 8,272,768.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ABOVE REVIEW CRITERION.

C. Criterion 1110.1430(c) - Variance to Station Need

The applicants propose to establish a 10-station facility. Based upon the latest update to the "Inventory of Health Care Facilities and Need Determinations" (May 16, 2006), there is a projected excess of 10 stations in the HSA IX ESRD planning area. The applicants' project need for additional dialysis stations that exceeds the number projected for the planning area. In order to establish a dialysis facility when insufficient need for the number of proposed additional stations exists in a planning area, an applicant must document one of the following:

- "1) a new facility will improve access in a geographic area that is within 30 minutes travel time of the proposed facility site as evidenced by documentation that verifies:
 - A) all existing renal dialysis facilities in the area are operating at or in excess of the target utilization level for the latest 12-month period for which data is available; and
 - B) a sufficient number of patients is experiencing an access problem to justify the proposed number of stations at the minimum utilization level detailed in 77 Ill. Adm. Code 1100 and;
 - C) the caseload at all existing renal dialysis facilities in the area will not be adversely affected; or

“2) additional stations are needed to reduce high utilization of an existing facility as evidenced by documentation that verifies that the number of proposed stations will reduce the facility's experienced utilization level for the latest 12-month period for which data is available to the minimum utilization level detailed in 77 Ill. Adm. Code 1100.”

The applicants do not meet the requirement of 1(A) since one of the three facilities within a 30-minute drive of the proposed facility is below the target utilization level of 80%. Table Two displays distance, travel time, number of stations and utilization for the two facilities.

TABLE TWO						
Facility	City	Zip Code	Distance (in miles)	Travel Time (in minutes)	2005 Stations	2005 Utilization
Fox Valley Dialysis**	Aurora	60504	8.5	16	26**	85%**
Fresenius Medical Care of Aurora	Aurora	60506	9.1	20	14	114%
Tri-Cities Dialysis*	Geneva	60134	14.5	23	18*	61%*
Sources: Facility, Distance and Travel Time - Microsoft Mappoint. Stations - IDPH Inventory of Health Care Facilities and Services and Need Determinations. Utilization - IDPH ESRD survey. * Project #03-070, approved by the State Board on 12/17/03, added 9 stations for a total of 18 stations. Project was completed on 11/18/04. ** On 11/21/05, the State Board affirmed the addition of two ESRD stations, increasing the total number of stations from 24 to 26.						

The applicants must document that patients are experiencing an access problem as outlined in 1(B) of this criterion. The applicants identified access problems for patients residing in the Oswego area and receiving treatment at the Fresenius Medical Care of Aurora clinic. It was noted that the travel time for these patients was 20 minutes. In addition, the applicants indicate that because of high utilization, the Aurora facility is operating a fourth shift. The applicants state that this adversely affects patients by forcing travel in late night hours when most public forms of transportation are not available. As of February 2006, the Fresenius Medical Care of Aurora clinic is closed to new patients. The new patients from the Oswego area will have to be admitted to Fresenius Medical Care of Naperville, which has been operating a fourth shift and is near capacity. Travel from Oswego to Naperville is over 30 miles and 45-60 minutes travel time. Although some patients may be admitted to Fox Valley

Dialysis, it is operating at 85% utilization. The applicants anticipate 35 patients at the opening of the proposed facility, eight more patients within the first 12 months of operation and eight more patients within the second 12 months of operation. This results in 51 patients by the end of the second year of operation with an 85% utilization rate.

The applicants claim a sufficient number of patients are experiencing an access problem to justify the proposed number of stations at the minimum utilization level. However, there is a projected excess of 10 stations in the HSA IX ESRD planning area and Tri-Cities Dialysis is below target utilization. In addition, when the State Agency determined Tri-Cities Dialysis was within 30 minutes drive time, the applicants were offered an opportunity to respond. The applicants chose not to respond. As a result, it appears there is no access problem.

The applicants must also document that the project will not adversely impact area facilities. There are three facilities within 30 minutes drive time of the proposed project: Fresenius Medical Care of Aurora, Fox Valley Dialysis Center and Tri-Cities Dialysis. The applicants provided a list containing 26 patients wishing to transfer to the new facility from the Fresenius Medical Care of Aurora clinic. Using the data certified by the Area Manager of Fresenius Medical Care of Aurora (page 57 of the application), this facility could lose as many as 29 individuals of its current patient caseload and still remain at the minimum target occupancy of 80%. An additional 25 patients from the Oswego area were identified as pre-dialysis. The treating physician indicated that he anticipates these patients will utilize the new facility. Fox Valley Dialysis had a utilization rate of 85% for 2005. According to the applicants, the new patients for the Oswego facility will not come from that facility.

It appears the applicants documented that two of the three area facilities would not be adversely impacted by the establishment of the proposed facility as required by 1(C) of this criterion. The applicants did not, however, address the potential impact of the proposed project on Tri-Cities Dialysis because they estimated drive time to this facility was beyond 30 minutes. When the State Agency determined Tri-Cities Dialysis was within 30 minutes drive time, the applicants were offered an opportunity to respond. The applicants chose not to respond. Based on 2005 utilization data, Tri-Cities Dialysis operated below the 80% standard. Further, the potential impact this project would have on Tri-

Cities Dialysis was not addressed by the applicants. Thus, it appears the project will not improve access in the geographic area that is within 30 minutes travel time of the proposed facility site. As a result, it appears the applicants have not met the requirements of the variance.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE REVIEW CRITERION.

D. Criterion 1110.1430(d) - Support Services

The applicants indicate dietary counseling, social services and home/self training will be provided at Fresenius Medical Care of Oswego. These services will be provided during all six shifts. An agreement with Spectra Renal Management for clinical and pathological laboratory services was provided and the applicants indicate the Gift of Hope Organ & Tissue Donor Network will provide tissue-typing services. A transfer agreement with Provena Mercy Center Hospital in Aurora for emergency and inpatient evaluation and treatment, including pathological laboratory services, blood bank services and psychiatric services, was also provided. The applicants indicate rehabilitation services will be provided by Provena McAuley Rehabilitation Center and transplant services will be provided by Rush Transplant Center.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REVIEW CRITERION.

E. Criterion 1110.1430(e) - Affiliation Agreements

The applicants provided a Transfer Agreement between Provena Mercy Center, Aurora and Fresenius Medical Care of Oswego for inpatient and hospital services. An agreement between Rush University Medical Center, Chicago and Fresenius Medical Care of Oswego for transplantation services was also submitted.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REVIEW CRITERION.

F. Criterion 1110.1430(f) - Self-Care and Home Dialysis

The applicants certified that self-care instruction and home dialysis and training will be provided at Fresenius Medical Care of Oswego.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REVIEW CRITERION.

- G. Criterion 1110.1430(g) - Relocation of Facilities
- H. Criterion 1110.1430(h) - Addition of Stations

These criteria are not applicable because the project is to establish a new facility.

- I. Criterion 1110.1430(i) - Quality of Care

The criterion establishes performance standards for existing providers of ESRD services and states:

- “1) that greater than 65% of its patients achieve a urea reduction ratio (URR) of 0.65 or better; and
- 2) that greater than 65% of its patients achieve a hematocrit level of 31% or better.”

This application is for the establishment of a new facility; therefore, there is no historical data available. The applicants provided quality of care summary information for all Illinois Fresenius Medical Care patients. These levels meet the requirements prescribed by the criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REVIEW CRITERION.

VII. General Review Criteria

- A. Criterion 1110.230(a) - Location

This criterion requires: (1) that the primary purpose of the proposed project is to provide care to residents of the planning area in which the facility will be located, and (2) that the location selected will not create a maldistribution of beds and services.

The applicants provided a map, which details the service area of the proposed facility. The applicants provided zip code locations for the patients interested in transferring to the new site and those patients who have been identified as pre-ESRD who are expected to begin treatment at the proposed facility. It appears that all the zip codes identified are within 30 minutes travel time of the new facility. Thus, it appears the new facility will serve the residents in the proposed service area.

The ratio of stations to population does not exceed one and one half times the State average. However, one of the three facilities within 30 minutes travel time, Tri-Cities Dialysis, was below the target occupancy rate of 80% for 2005 (see Table Two). Therefore, the establishment of this facility appears to create a maldistribution of service.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE ABOVE REVIEW CRITERION.

B. Criterion 1110.230(b) - Background of Applicant

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 FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ABOVE REVIEW CRITERION.

C. Criterion 1110.230(c) - Alternatives

The applicants must document the proposed project is the most effective or least costly alternative. The applicants considered three options:

1. Do Nothing.

The first option was rejected, because the applicants indicate that Fresenius Medical Care of Aurora is currently experiencing a

utilization rate of 133%. The applicants state this facility is currently operating a fourth shift, which is full. They indicate that a fourth shift adversely affects quality of care and imposes a hardship on patients and their families. The cost associated with this alternative is \$0.

2. Expand Fresenius Medical Care of Aurora.

Option two was not selected, because the applicants state the Fresenius Medical Care of Aurora clinic expanded by five stations two years ago and the square footage of the building makes the addition of stations prohibitive. The applicants indicate building on to the facility would not be feasible, because useable space is not available. However, if the clinic could be expanded, the costs would be \$2,481,025. This exceeds the proposed Oswego clinic cost (\$1,837,977) by \$643,048 or 35%.

3. Transfer patients to another facility.

The final alternative, transferring patients, was discounted because the applicants cited lack of capacity at existing facilities. According to the applicants, the closest Fresenius clinic is in Naperville which currently operates at 87% utilization. The closest non-Fresenius clinic is Fox Valley Dialysis (Aurora) which currently operates at 86% utilization. The cost of this alternative is \$0. However, this alternative does not alleviate the access problems in the HSA.

Since the applicants did not document the need for an additional facility and since the impact of this project on Tri-Cities Dialysis is unknown, it does not appear the selected alternative is the most effective.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE ABOVE REVIEW CRITERION.

D. Criterion 1110.230(d) - Need for the Project

Based upon the latest Inventory update (May 16, 2006), there is a computed excess of 10 stations in the HSA IX ESRD planning area.

The applicants noted there is historically high utilization at other area providers. In addition, the applicants identified 51 patients who would likely use the project by the end of the second year of operation. This number of patients results in a utilization rate of 85%. The State Agency notes that while Fox Valley Dialysis and Fresenius Medical Care of Aurora are operating above the target occupancy, Tri-Cities Dialysis is operating below target occupancy (see Table Two).

The applicants did not provide area studies or propose an alternative model to calculate need. While some patients may prefer to access services at the new facility, the applicants did not document the new service is needed. Therefore, a positive finding cannot be made.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE ABOVE REVIEW CRITERION.

E. Criterion 1110.230(e) - Size of the Project

The applicants propose to establish a 10-station facility in 4,700 GSF of modernized space. This is 470 GSF per station. The State guideline for ESRD facilities is 470 GSF per station; therefore, the proposed facility meets the State guideline.

The applicants' project 51 patients will receive treatment at the proposed facility in December 2008. This is based upon 26 patients currently receiving treatment at Fresenius Medical Care or Aurora and interested in transferring and 25 pre-ESRD patients under the care of Dr. Dodhia. Table Three displays the projected utilization for the proposed facility.

TABLE THREE				
Month/Year	Stations	Expected Census	Treatments per Year (1)	Utilization (2)
Dec 2006	10	35	5,460	58.3%
Dec 2007	10	43	6,708	71.7%
Dec 2008	10	51	7,956	85.0%
Source: Data supplied by applicants				
1 - Assumes each patient will receive three treatments per week.				
2 - Utilization determined by the number of stations, times three shifts, times six days, times 52				

weeks. Treatment numbers are estimates if expected patients attend all scheduled treatments.

The proposed project does not exceed the norms for project size. In addition, the applicants documented that, in the second year of operation, the annual utilization of the stations will meet or exceed the target utilization.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ABOVE REVIEW CRITERION.

VIII. Review Criteria - Financial Feasibility

A. Criterion 1120.210(a) - Financial Viability

This review criterion specifies that certain ratios be met as an indication of financial viability for those applicants that do not have a bond rating of “A” or better. If the viability ratios are not met, applicants are to address a variance that documents another organization will assume the legal responsibility of meeting any debt obligations should the applicants default.

1. Viability Ratios

Table Four provides financial ratio information for Fresenius Medical Care Holdings, Inc. The State Agency notes that Fresenius Medical Care of Illinois, LLC and National Medical Care, Inc. do not maintain audited financial statements. Thus, no viability ratios were submitted.

TABLE FOUR					
Fresenius Medical Care Holdings, Inc.					
Ratio	State Standard	Historical			Projected
		2002	2003	2004	2008
Current Ratio	>=1.5	0.5	0.8	1.0	*
Net Margin Percentage	>=3.5%	4.3%	5.5%	5.9%	*
Percent Debt to Total Capitalization	<=80%	47.4%	49.9%	47.9%	*

Projected Debt Service Coverage	>=1.75	1.68	3.00	2.67	*
Days Cash on Hand	>=45	3.5	1.0	0.003	*
Cushion Ratio	>=5	.30	0.1	.96	*
* Projected ratios not provided due to Securities and Exchange Commission regulation fair disclosure requirements.					

2. Variance

As seen in Table Four, the Current Ratio for 2002, 2003, 2004 is below the State standard (≥ 1.5). The Current Ratio is a calculation of current assets to current liabilities. It measures liquidity—a firm’s ability to meet short-term cash obligations. Current assets are cash and other assets that can be converted to cash within one operation cycle (usually 1 year). Current liabilities are those obligations that are expected to be eliminated by the use of current assets—liabilities that will be paid during the next 12 months.

The Projected Debt Service Coverage Ratio for 2002 is below the State standard (≥ 1.75). Projected Debt Service Coverage is an indication of the applicant’s ability to meet its debt payments. A debt coverage ratio of less than 1 indicates that the income generated is insufficient to cover the mortgage payments and operating expenses.

The Days Cash On Hand Ratio for 2002, 2003 and 2004 are below the State standard (≥ 45 days). The Days of Cash on Hand is an indication of the number days the facility could operate if no future revenue is provided.

The Cushion Ratio figures for 2002, 2003, 2004 are below the State standard (≥ 5). The Cushion Ratio is an indication of the amount of cash, short-term investment and unrestricted long-term investments remaining after paying all fixed-debt expenses (annual principal and interest payments).

The applicants stated that Fresenius Medical Care Holdings, Inc. (FMCH) has in excess of \$1.0 billion of readily available liquidity. In addition, it has relatively low leverage (less than 2.0 x Funded Debt/EBITDA) and a BB+ Standard & Poor credit rating. The applicants also stated that FMCH’s healthy financial position and abundant liquidity indicate it has the ability to support the acquisition and development of additional dialysis centers. The applicants further

stated FMCH has more than adequate capability to meet all of its expected financial obligations over the next 12 months and its long term outlook, following its acquisition of Renal Care Group, is expected to remain stable.

Although the applicants demonstrated they are financially viable, no documentation was provided that Fresenius Medical Care Holdings, Inc. has an bond rating of "A", nor have they demonstrated that this organization is compliant with the ratios. The applicants have not documented that another organization will assume the legal responsibility to meet the debt obligations should the applicants default. As a result, the applicants do not meet the requirements for the variance.

THE STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE ABOVE REVIEW CRITERION.

B. Criterion 1120.210(b) - Availability of Funds

The project will be funded with \$767,702 in cash and securities and \$1,070,275 from the FMV of leased space and equipment. It appears sufficient monies are available to fund the project (see Table Five).

TABLE FIVE	
Source	Amount
Cash & Securities	\$ 767,702
Fair Market Value of Leased Space & Equipment	1,070,275
Total Funds Available	\$ 1,837,977

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REVIEW CRITERION.

C. Criterion 1120.210(c) - Start-Up Costs

The applicants estimate \$95,195 in start-up costs will be incurred. No deficits are anticipated for the operation. Total funding for the project's start-up costs is available from cash and securities. Based on the most recent financial statements, the applicants appear to have sufficient funds available for start-up costs.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REVIEW CRITERION.

IX. Review Criteria - Economic Feasibility

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

The project is classified as a Class B project. The applicants do not have a bond rating of "A". However, all available cash and equivalents are being used for project funding prior to borrowing. The applicants did not submit a notarized statement signed by two authorized representatives of the applicant entity which attests that 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 STATE AGENCY FINDS THE PROPOSED PROJECT DOES **NOT** APPEAR TO BE IN CONFORMANCE WITH THE REVIEW CRITERION.

B. Criterion 1120.310(b) - Terms of Debt Financing

The applicants provided a notarized statement signed by two authorized representatives indicating that the expenses incurred with leasing a facility and equipment are less costly than constructing a new facility or purchasing new equipment.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REVIEW CRITERION.

C. Criterion 1120.310(c) - Reasonableness of Project Cost

TABLE SIX									
Cost And Gross Square Feet By Department Or Service									
Department	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square		Gross Sq. Ft.		Gross Sq. Ft.		Const. \$	Mod. \$	
	New	Mod.	New	Circ	Mod.	Circ.	(A x C)	(B x E)	
ESRD		\$ 106.06			4,700	0		\$498,500	\$498,500
Contingency		10.61			4,700	0		\$49,850	\$49,850
TOTALS		\$ 116.67			4,700	0		\$ 548,350	\$ 548,350

Construction Contracts and Contingencies - The costs of building “build-out” are estimated to be \$548,350, which is \$116.67 per GSF. Because this cost represents the “build-out” and does not include the construction costs for the shell of the building, the State Agency applied the modernization cost review standard in performing the evaluation. The estimated cost meets the adjusted State modernization standard of \$124.18 per GSF (\$98.03 for base year 2000 annually inflated by 3% through 2008, the year the facility is projected to achieve target occupancy).

Contingencies - Contingencies are estimated to be \$49,850, or 10% of modernization contracts. This appears reasonable compared to the State standard of 10%-15%.

Architects and Engineering Fees - Architectural and Engineering Fees are estimated to be \$49,352, or 9.0% of construction and contingencies. This appears reasonable compared to the Capital Development Board’s range of 4.85%-11.60%.

Movable or Other Equipment - Movable Capital Equipment costs are \$170,000, or \$17,000 per station. This appears reasonable compared to the adjusted State standard of \$33,550 per station (\$26,485 for base year 2000 annually inflated by 3% through 2008, the year the facility is projected to achieve target occupancy).

Other Project and Related Costs – FMV of Leased Space and Equipment are estimated to be \$928,250 and \$142,025 respectively. There is no State standard for these costs.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REVIEW CRITERION.

D. Criterion 1120.310(d) - Projected Operating Costs

The applicants project \$159.14 of annual operating costs per treatment for the first full year after project completion. The State Board does not have a standard for these costs (see Table Seven).

TABLE SEVEN
Operating Costs (Year 1 – 2008)

Salaries	333,786
Benefits	78,296
Supplies*	630,615
Total Costs	\$1,042,697
Divided by number of treatments	6,552
Equals Cost per treatment	\$159.14
* Supplies include epogen and ancillary expenses.	

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REVIEW CRITERION.

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

The applicants' project capital costs per treatment of \$12.18. The State Board does not have a standard for these costs.

Calendar Year 2008

Depreciation/ Amortization	\$ 66,627.00
Interest	<u>0</u>
TOTAL CAPITAL COSTS	\$ 66,627.00
Treatments	5,472
Capital Cost per Treatment	\$ 12.18

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REVIEW CRITERION.

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

This criterion is not applicable, because the entire project involves patient related services.

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