



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-02	BOARD MEETING: August 8, 2024	PROJECT NO: 24-005	PROJECT COST:
FACILITY NAME: NANI Vascular South ASC		CITY: Alsip	Original: \$5,813,534
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (NANI Vascular South ASC, LLC, and Nephrology Associates of Northern Illinois, LTD) propose to establish a single specialty ambulatory surgical treatment facility (ASTC) in Alsip at a cost of \$5,813,534. The project completion date as stated in the application is July 1, 2026.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (NANI Vascular South ASC, LLC, and Nephrology Associates of Northern Illinois, LTD) propose to establish a single specialty ambulatory surgical treatment center (ASTC) at 12250 South Cicero Avenue, Alsip. The project cost is \$5,813,534. The project completion date is July 1, 2026.
- The proposed facility will be a single-specialty ASTC with two (2) operating rooms (ORs) and focus on vascular access establishment/maintenance for ESRD patients, with other minimally invasive procedures.
- The proposed project is intended to be a replacement ASTC for Willow Springs Surgery Center (in Justice). This facility is a multi-specialty ASTC that is requesting to discontinue its operations via Certificate of Need Permit #24-017. NANI has ownership interest in both the NANI North and Willow Springs facilities.
- The proposed project is a substantive project subject to Part 1110 and 1120 review. A Safety Net Impact statement accompanied the application.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project establishes a health care facility (ASTC) as defined by the Illinois Health Facilities Planning Act. [20 ILCS 3960]

PURPOSE OF THE PROJECT:

- The applicants stated:

“The purpose of this project is to ensure the residents of the community and the patients historically served by Nephrology Associates of Northern Illinois (NANI) will continue to have access to the vascular care surgical procedures they need. The proposed facility will allow for the orderly transition of services at the office-based lab setting and transfer of patients utilizing Willow Springs Surgery Center and for the increase in available vascular access for NANI patients. The welfare of the patient remains the core priority for those in the industry and the ability to coexist has always been key to the industry. The expectation is the primary clientele served will be those already served by NANI in this immediate area and the ASTC will be available to patients from any other provider who find their access to these surgical services otherwise and unexpectedly compromised or unavailable. The importance of vascular access procedures to dialysis patients cannot be overstated. Patient with kidney failure require frequent dialysis sessions, and access to their blood vessels is crucial for the success of these sessions. Vascular access procedures are performed to create a way for dialysis patients to access their blood vessels easily and safely, without causing further harm or damage to their circulatory system.”

PUBLIC HEARING/COMMENT:

- A public hearing was offered regarding the project, but no public hearing was requested. No support or opposition letters were received by the Board Staff regarding the project.

SUMMARY:

- The State Board Staff reviewed the application for permit and additional information provided by the applicants and note the following:
- The proposed project is a request by the applicant for the State Board to determine the need to establish an ASTC providing vascular access procedures and general surgical procedures that support the vascular health of ESRD patients. The Illinois Department of Public Health defines an ambulatory surgery center as “*Any institution or building devoted primarily to the maintenance and operation of facilities for the performance of surgical procedures, and any place that meets and complies with the definition of an ambulatory surgical treatment center under the Act and this Part, as evidenced by use of the facilities by physicians, podiatrists or dentists in the performance of surgical procedures that constitutes more than 50 percent of the activities at that location* (77 Ill. Adm. Code 205.110).
- **Reviewer Note:** While the Illinois Department of Public Health (IDPH) defines what constitutes a licensed surgical center, the Department does not determine the need for an ASTC. The Illinois Health Facilities and Services Review Board determines the need for an ASTC. Should the State Board approve this project the applicant will then petition IDPH to license the approved ASTC.
- **Reviewer Note:** In November 2016 CMS released its Final Rule on the 2017 Medicare Physician Fee Schedule in which dialysis vascular access services provided by interventional nephrologists will be reduced because of the CMS policy requiring services that are billed together more than 75% of the time to be bundled. This became effective January 1, 2017.
- There is excess capacity in the proposed 10-mile geographical service area (GSA) at five of the six hospitals and six of the nine identified ASTCs. (see Table Five).

The applicants addressed 22 criteria and were not compliant with the following:

Criteria	Reasons for Non-Compliance
77 Ill. Adm. Code 1110.235(c)(3)(A)(B) - Service Demand Establishment	By rule, referrals to health care providers other than licensed IDPH-ASTCs or hospitals are not included in determining projected patient volume (i.e., patient demand). Some of the applicant's referrals are from an office/lab based setting which is not a licensed ASTC or hospital.
77 Ill. Adm. Code 1110.1540(g) - Service Accessibility	There is unused surgical capacity at both hospitals and ASTCs in the GSA that would be able to absorb the workload of the proposed facility. (see Table Five)
77 Ill. Adm. Code 1110.1540(h)(1) – Unnecessary Duplication of Service	There are six hospitals within the GSA. Of this number, five are not operating at target occupancy. Of the nine ASTCs within the GSA, six are not at target occupancy. (see Table Five)
77 Ill. Adm. Code 1120.140(c)(1) – Reasonableness of Project Costs	The Applicants report new construction costs totaling \$489.30 per GSF. The State standard is \$480.97 per GSF.

STATE BOARD STAFF REPORT
Project #24-005
NANI Vascular South ASTC

APPLICATION CHRONOLOGY	
Applicants(s)	NANI Vascular South ASC, LLC and Nephrology Associates of Northern Illinois, LTD
Facility Name	NANI Vascular South ASC
Location	12250 South Cicero Avenue, Alsip, IL
Permit Holder	Nephrology Associates of Northern Illinois, LTD
Operating Entity/Licensee	NANI Vascular South ASC, LLC
Owner of Site	Hickory Properties, Inc.
Gross Square Feet	7,988 GSF (5,500 GSF clinical/2,488 GSF non-clinical)
Application Received	March 4, 2024
Application Deemed Complete	March 11, 2024
Financial Commitment Date	August 8, 2025
Anticipated Completion Date	July 1, 2026
Review Period Ends	July 9, 2024
Review Period Extended by the State Board	No
Can the applicants request a deferral?	Yes

I. Project Description

The Applicants (NANI Vascular South ASC, LLC, and Nephrology Associates of Northern Illinois, LTD) propose to establish a single-specialty ASTC at a cost of \$5,813,534, located at 12250 South Cicero Avenue, Alsip. The project completion date is July 1, 2026.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is **not** in conformance with all relevant provisions of Part 1110.
- B. The State Board Staff finds the proposed project is **not** in conformance with all relevant provisions of Part 1120.

III. General Information

The Applicants are NANI Vascular South ASC, LLC, and Nephrology Associates of Northern Illinois, LTD. The project will provide vascular access services and general surgical procedures supporting the vascular health of ESRD patients. NANI Vascular South ASC is located at 12250 South Cicero Avenue, Alsip. The ASTC will contain two ORs. The Applicants have two other facilities under their collective ownership, including:

- 1) **NANI Sycamore Dialysis, Sycamore (#21-019):** 10-station ESRD facility (currently under construction with a project completion date of September 2, 2024).
- 2) **NANI Vascular North ASTC, Addison (#23-036):** Approved on March 12, 2024, the project establishes a two-OR ASTC specializing in Vascular Access. Project completion date: July 1, 2025.

IV. Health Service Area/Health Planning Area

The proposed ASTC will be in Cook County in Health Service Area VII. HSA-VII includes DuPage and suburban Cook counties. There are 49 ASTC in HSA-VII, with none reported as specializing in vascular access surgical services.

V. Project Description

NANI Vascular South ASC proposes to establish a single specialty ASTC with two ORs, in 7,988 GSF of newly constructed space, located in Alsip. The facility will allow NANI physicians and other nephrologists access to a facility that provides surgical nephrology access services in an ASTC environment, which is more accessible, cost effective, and provides better outcomes.

VI. Project Costs

The applicants will fund the project with a combination of cash/securities (\$4,323,748) and the fair market value (FMV) of leases (\$1,489,786). The estimated start-up costs and operating deficit cost is \$1,489,786. (see Table One)

TABLE ONE				
Uses and Sources of Funds				
Use of Funds	Reviewable	Non-Reviewable	Total	Percent Of Total
New Construction Costs	\$2,048,742	\$926,777	\$2,975,519	51.2%
Contingencies	\$159,777	\$72,728	\$232,055	4%
A&E Fees	\$132,003	\$59,713	\$191,716	3.3%
Consulting	\$280,166	\$126,737	\$406,903	7%
Movable and Other Equipment	\$482,635	\$34,920	\$517,555	8.9%
FMV of Leased Space	\$1,172,238	\$317,549	\$1,489,786	25.6%
TOTALS	\$4,275,561	\$1,537,973	\$5,813,534	100.00%
Source of Funds	Reviewable	Non-Reviewable	Total	Percent Of Total
Cash/Securities	\$3,103,323	\$1,220,424	\$4,323,748	74.4%
FMV of Leased Space	\$1,172,238	\$317,549	\$1,489,786	25.6%
TOTALS	\$4,275,561	\$1,537,973	\$5,813,534	100.00%

VII. Purpose of the Project, Safety Net Impact Statement, Alternatives

A) Criterion 1110.230(a) – Purpose of the Project The applicants are asked to:

1. Document that the project will provide health services that improve the health care or wellbeing of the market-area population to be served.
2. Define the planning area or market area, or other area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project.
4. Cite the sources of the information provided as documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

The Applicants identified key benefits for patients having vascular procedures performed in an ASTC setting to support the project's purpose:

- 1) **Reduced wait times/increased convenience:** The Applicants cite survey data that confirms patients who use ASTCs for vascular access procedures experience a more convenient, patient-centered approach as compared to hospitals, based on the smaller, more personable format and increased access to more convenient scheduling blocks. Patients also report spending less time waiting for services and are more likely to be discharged and return home the same day as treatment.
- 2) **Lower Costs:** The cost of healthcare in the United States is a growing concern. Procedures performed in an ASTC setting are more cost effective due to the absence of facility fees, lower overhead costs, and lower fees for clinical support and anesthesia services. Patients treated in ASTCs are more likely to be discharged the same day, eliminating costly overnight admissions/stays in a hospital setting, and the equipment used in ASTCs is often re-useable, which further benefits the patient financially.
- 3) **Better outcomes:** Patients utilizing ASTCs report having better outcomes due to increased accessibility to services, with staff and clinicians they are familiar with and more likely to interact with during follow-up. Another contributing factor is based on the use of telemedicine which allows the patient to seek counsel with their clinician, without exposing themselves to excessive travel, clinical complications, and exposure to nosocomial agents that may trigger illness and/or infections.

The Applicants state that vascular access services in an outpatient setting are not suitable for all patients. Patients with significant co-morbidities and complex medical histories are still better candidates for inpatient services, and the Applicants propose to exercise caution in making these determinations.

B) Criterion 1110.230(b) – Safety Net Impact

Statement The applicants are asked to document:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

The applicants stated the following:

“The purpose of this project is to ensure the residents of the community and the patients historically served by Nephrology Associates of Northern Illinois (NANI) will continue to have access to the vascular care surgical procedures they need. The proposed facility will allow for the orderly transition of services at the office-based lab setting and transfer of patients utilizing Willow Springs Surgery Center and for the increase in available vascular access for NANI patients. The welfare of the patient remains the core priority for those in the industry and the ability to coexist has always been key to the industry. The expectation is the primary clientele served will be those already served by NANI in this immediate area and the ASTC will be available to patients from any other provider who find their access to these surgical services otherwise and unexpectedly compromised or unavailable. The importance of vascular access procedures to dialysis patients cannot be overstated. Patient with kidney failure require frequent dialysis sessions, and access to their blood

vessels is crucial for the success of these sessions. Vascular access procedures are performed to create a way for dialysis patients to access their blood vessels easily and safely, without causing further harm or damage to their circulatory system.”

TABLE TWO			
Charity Care Information			
NANI Vascular South ASTC			
CHARITY			
	2020	2021	2022
# of Charity Care (Self-Pay)	-	-	-
Cost of Charity Care	-	-	-
Ratio of Charity Care to Net Patient Revenue	-	-	-
MEDICAID			
	2020	2021	2022
Medicaid (# of patients)	-	93	144
Medicaid (revenue)	-	\$44.00	-
Source: Application for Permit pages 104-106			

The Applicants provided historical payor source data from the Willow Spring Surgery Center and NANI office-based labs for the past 12 months and shows its projected payor source data by its second year of operation. These data are shown in Table Three.

TABLE THREE		
Historical and Projected Payor Source Data		
NANI Vascular North ASC		
Payer Type	Estimated # of Patients	Projected Revenue % by Payor Mix
Willow Springs Surgery Center		
Medicare	44%	56%
Medicare Advantage	24%	25%
Commercial	16%	10%
Medicaid	15%	8%
HMO	1%	<1%
SWNA NANI Office-Based Lab		
Medicare	44%	51%
Medicare Advantage	30%	32%
Commercial	14%	8%
Medicaid	11%	8%
HMO	1%	<1%

C) Criterion 1110.230(c) Alternatives to the 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 five alternatives. (see Application for Permit pages 65-66)

1. Exit the Marketplace

The applicants rejected this option because changes in the reimbursement model for vascular access procedures has compelled many providers to discontinue the provision of

these services. NANI is committed to providing access to the best quality of care possible for its patients, and the changes in reimbursement models by CMS have resulted in the relocation of vascular access procedures from hospital to ASTC settings, which supports the reasoning behind this rejection.

2. Utilize a Hospital Surgical Suite

The applicants rejected this alternative, citing increased expense for services and decreased access to vascular access services. Many health systems view these services as “low reimbursement/low priority” procedures, resulting in higher costs for vascular access procedures, and decreased access to hospital surgical suites. NANI clinicians consider vascular access procedures as high-priority as it allows patients with vascular access complications to continue receiving life-saving dialysis. NANI continues to prioritize its vascular access patients, considering recent trends where health systems will de-prioritize vascular access procedures.

3. Rely on Available Capacity at Other Surgery Centers

The Applicants note a majority of ASTCs in the service area focus on surgical services outside of the “general surgery” category, and even less offer vascular access services. Vascular access services are more a matter of economics for these facilities, and the lower reimbursement compels these ASTCs to reject this offering altogether. NANI considers its vascular access patient base as high-priority, and its staff and facilities are committed to caring for this population. The Applicants consider this volume of care and the emergence in providing treatment when needed as its priority and attests that relying on other facilities to provide this level of care is a suboptimal choice. There were no costs identified with this option.

4. Acquire an Existing ASTC/Move Procedures to an Existing ASTC

The Applicants considered this option but given the number of existing ASTCs in the service area, and the fact that none of these facilities provide vascular access service, made this option infeasible. The Applicants also note that locating a viable, multi-room facility, and retrofitting it to meet the needs of their patient population would not be cost-effective when compared to the project as proposed. Based on these findings, this alternative was rejected.

5. Project as Proposed

The Applicants found the alternative to add general surgery to an existing ASTC as the most viable option, due to the cost efficiency and the already-present consistency of providing this highly specialized care to a vulnerable and overlooked population. This option was considered most aligned with the service rationale and addresses the challenges present in the other options that were discussed. There was no cost with this option.

VIII. Size of the Project, Projected Utilization of the Project, Assurances

A) Criterion 1110.234(a) – Size of the Project

To document compliance with this criterion the applicants must document that the

proposed surgical rooms and recovery stations meet the State Board GSF Standard's in Section 1110. Appendix B.

The applicants propose two ORs, in 5,500 GSF of clinical space, which is approximately 2,750 GSF per room. The State standard for ASTC rooms is 2,075 - 2,750 BGSF per room. It appears the applicants have met the requirements of the criterion.

B) 1110.234(b) – Projected Utilization

To document compliance with this criterion the applicants must document that the proposed surgical/procedure rooms will be at target utilization or 1,500 hours per operating/procedure room by the second year after project completion. Section 1110. Appendix B

The State Board Standard is 1,500 hours per OR, or 3,000 hours for the proposed two procedure rooms. The applicants project 2,528 hours by the second year of operation, based on historical utilization data (see application, page 68).

C) Criterion 1110.234 (e) – Assurances

To document compliance with this criterion the applicants must provide an attestation that the proposed project will be at target occupancy two years after project completion.

The applicants provided the necessary attestation at page 99 of the Application for Permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA SIZE OF THE PROJECT, PROJECTED UTILIZATION, AND ASSURANCES (77 Ill. Adm. Code 1110.234(a), (b), and (e))

IX. Establish an Ambulatory Surgical Treatment Center

A) Criterion 1110.1540(b)(1) to (3) - Background of the Applicant

To demonstrate compliance with this criterion the applicants must provide documentation of the following:

- 1) Any adverse action taken against the applicant, including corporate officers or directors, LLC members, partners, and owners of at least 5% of the proposed healthcare facility, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application.
- 2) A listing of all health care facilities currently owned and/or operated by the applicant in Illinois or elsewhere, including licensing, certification, and accreditation identification numbers, as applicable;

Nephrology Associates of Northern Illinois LTD. (NANI) is an Illinois-based physician-owned nephrology practice that has been providing access to care and innovation in the field of nephrology for over 45 years. Throughout its tenure, the physicians of NANI have been committed to providing care to those suffering from end-stage renal disease and requiring dialysis. NANI is the parent company of NANI Vascular South, LLC, (co-applicant), owns/manages NANI Sycamore Dialysis, Sycamore, and Willow Spring Surgery Center, Justice, an ASTC that focuses on vascular access procedures. The

Applicants supplied proof of their Certificate of Good Standing, and licensure/accreditation will occur should the project be approved. The applicants supplied a letter permitting the State Board, and IDPH to verify any information contained in this application. (see application page 52)

A copy of the non-binding term sheet for the lease of the building between Hickory Properties, Inc., and NANI Vascular South ASC, LLC, was provided at pages 33-35 as evidence of site ownership.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANTS (77 Ill. Adm. Code 1110.1540 (b) (1) to (3))

B) Criterion 1110.1540(c) (2) (A) and (B) – Service to GSA Residents

To demonstrate compliance with this criterion the applicants must provide a list of zip codes that comprise the geographic service area. The applicant must also provide patient origin information by zip code for the prior 12 months. This information must verify that at least 50% of the facility’s admissions were residents of the geographic service area.

1. By rule the applicants are to identify all zip codes within ten (10) miles of the proposed ASTC. The applicants provided this information on page 74 of the application for permit. In addition to the populations of DuPage and suburban Cook counties, there are also forty-eight (48) zip codes within these ten (10) miles geographical service area with a population of 1,353,564.

Based upon the information provided in the application for permit and summarized above it appears that the proposed ASTC will provide services to the residents of the ten (10) mile geographic service area.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION GEOGRAPHIC SERVICE AREA NEED (77 Ill. Adm. Code 1110.1540(c) (2) (A) and (B))

C) Criterion 1110.1540(d) (1) and (2) - Service Demand – Establishment of an ASTC Facility

To demonstrate compliance with this criterion the applicants must provide physician referral letters that attest to the total number of treatments for each ASTC service that was referred to an existing IDPH-licensed ASTC or hospital located in the GSA during the 12-month period prior to the application. The referral letter must contain:

1. Patient origin by zip code of residence;
2. Name and specialty of referring physician;
3. Name and location of the recipient hospital or ASTC; and
4. Number of referrals to other facilities for each proposed ASTC service for each of the latest two years;
5. Estimated number of referrals to the proposed ASTC within 24 months after project completion
6. Physician notarized signature signed and dated; and

7. An attestation that the patient referrals have not been used to support another pending or approved CON application for the subject services.

By rule, the referrals to a proposed ASTC must be from IDPH licensed ASTC or hospitals. The Applicants submitted referral letters with zip code origins attesting to the referral of approximately 1,750 patients to the ASTC, by the second year after project completion (see Table Four). However, the historical referrals from Dr. Ahuja were not from IDPH licensed ASTCs or hospitals in the proposed GSA and cannot be accepted. The applicant has not met the requirements of this criterion.

TABLE FOUR			
Referral Sources NANI Vascular South ASTC			
Physician	Facility	Cases in Last 12 Months	Referrals to ASTC
Dr. Bhanushali	Willow Springs Surgery Center	921	875
Dr. Ahuja	Southwest Vascular Access Center*	1,487	875
TOTALS		2,408	1,750
*Not a licensed ASTC or hospital			

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION SERVICE DEMAND (77 Ill. Adm. Code 1110.1540(d) (1) and (2))

D) Criterion 1110.1540(f) (1) and (2) - Treatment Room Need Assessment

To document compliance with this criterion the applicants must provide the projected patient volume or hours to justify the number of operating rooms being requested. The applicants must document the average treatment time per procedure.

1. Based upon the State Board Staff's review of the referral letters the applicants can justify 3,010 hours in the first year after project completion, and 3,160 hours of operation in Year 2. This number of operating/procedure hours will justify the two (2) procedure rooms being requested by the applicants [$3,010/1,500 = 2$ rooms, $3,160/1,500 = 2.1$ rooms]
2. The applicants supplied an estimated time per procedure (application, p. 87), which includes prep/clean-up. This time was gathered from historical access procedures performed in the past 12 months at the Willow Springs Surgery Center. The average time per procedure was 1.25 hours.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION TREATMENT ROOM NEED ASSESSMENT (77 Ill. Adm. Code 1110.1540(f) (1) and (2)(E))

Criterion 1110.1540 (g) - Service Accessibility

To document compliance with this criterion the applicants must document that the proposed ASTC services being established is necessary to improve access for residents of the GSA by documenting **one** of the following:

1. There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project;
 2. The other IDPH-licensed ASTC and hospital surgical/treatment rooms used for those ASTC services proposed by the project within the identified GSA are utilized at or above the utilization level specified in 77 Ill. Adm. Code 1100;
 3. The ASTC services or specific types of procedures or operations that are components of an ASTC service are not currently available in the GSA or that existing underutilized services in the GSA have restrictive admission policies;
 4. The proposed project is a cooperative venture sponsored by two or more persons, at least one of which operates an existing hospital. Documentation shall provide evidence that:
 - A) The existing hospital is currently providing outpatient services to the population of the subject GSA;
 - B) The existing hospital has sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital and at the proposed ASTC, based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100;
 - C) The existing hospital agrees not to increase its surgical/treatment room capacity until the proposed project's surgical/treatment rooms are operating at or above the utilization rate specified in 77 Ill. Adm. Code 1100 for a period of at least 12 consecutive months; and
 - D) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.
-
1. There are existing ASTCs in the identified GSA. (see Table Five)
 2. There are underutilized ASTC and hospital surgical/treatment rooms in the identified GSA. (see Table Five)
 3. The proposed surgical services are currently not available in the GSA. However, the Applicants will provide vascular access surgery, and minor minimally invasive surgical procedures exclusively in an outpatient setting. The applicants note vascular access procedures are non-emergent in nature, and often under-prioritized in the inpatient hospital setting for more complex, emergent surgical needs. These delays often result in the patient forgoing the vascular access procedure and jeopardizing the likelihood of a quality outcome. The applicants propose to transform his office-based practice to a limited specialty ASTC, based on the recent historical volume of access procedures being performed, and the desire to remain compliant with the State Board rules. (Application p. 89).
 4. The State Board Staff does not consider the proposed project a cooperative venture with one of the persons operating an existing hospital.

Table Five shows that there are existing ASTCs and hospitals in the service area with surgical services functioning beneath the State Board standard. The applicants have not met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 Ill. Adm. Code 1110.1540(g))

TABLE FIVE				
ASTCs and Hospitals in the 10-Mile GSA				
Facility/Classification	Distance (miles)	OR/Procedure Rooms	Utilization (hours)	Met Standard?
ASTC				
Premier Cardiac Surgery Center*	3	0/1	1,665	Yes
Center for Reconstructive Surgery*	5.5	4	691.7	No
Oak Lawn Endoscopy Center#	5	0/2	4,126	Yes
Palos Surgicenter, LLC>	4	3/2	2,998	No
Palos Hills Surgery Center>	6.8	4	4,611.5	Yes
Preferred Surgicenter, LLC>	8.7	4/1	1,174	No
Ingalls Same Day Surgery>	7.1	4	4,328.4	No
Willow Springs Surgery Center*	9.7	2/2	920	No
Southwestern Medical Center, LLC>	6.4	3	2,591	No
HOSPITALS				
Advocate Christ Hospital	4	40/10	70,792	No
Palos Community Hospital	5.1	14/5	24,784	No
Little Company of Mary Hospital	6.1	10/4	12,131	No
Ingalls Memorial Hospital	7.6	9/3	8,236	No
Holy Cross Hospital	8.8	2	1,328	No
Advocate South Suburban Hospital	9.7	8/6	20,048	Yes
Data Taken from 2022 ASTC Surveys				
*Limited Specialty				
#Single Specialty				
>Multi-Specialty				

F) Criterion 1110.1540(h) (1), (2), and (3) - Unnecessary Duplication/Maldistribution/Impact on Other Providers

1. To demonstrate compliance with this criterion the applicants must provide a list of all licensed hospitals and ASTCs within the proposed GSA and their historical utilization (within the 12-month period prior to application submission) for the existing surgical/treatment rooms.
- 2) To demonstrate compliance with this criterion the applicants must document the ratio of surgical/treatment rooms to the population within the proposed GSA that exceeds one and one half-times the State average.
- 3) To demonstrate compliance with this criterion the applicants must document that, within 24 months after project completion, the proposed project:
 - A) Will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and
 - B) Will not lower, to a further extent, the utilization of other GSA facilities that are currently (during the latest 12-month period) operating below the utilization standards.

The applicants stated the following to address this criterion:

State Board Staff identified a GSA extending 10 miles in all directions from the site of the proposed ASTC. This GSA includes 48 zip codes, and population estimates for this GSA is 1,353,564. There is a total of nine ASTCs and six acute care hospitals in the GSA. (see Table Five)

1. Unnecessary Duplication of Service

1. ASTCs

There are nine ASTCs within the GSA. One ASTC is a single specialty, three are limited specialty, and five are multi-specialty. Only three ASTCs are at target occupancy. **Reviewer Note:** ASTCs would have to apply for a certificate of need to add the specialty proposed by this project.

2. Hospitals

There are six hospitals within the GSA. Only one (1) hospital is at the target occupancy of 1,500 hours per surgery/procedure room.

2. Maldistribution

According to the applicants, the proposed ASTCs GSA has an estimated population of 1,353,564. The number of operating/procedure rooms within the GSA is approximately 143. That equates to one (1) operating/procedure room per every 9,466 individuals. The State of Illinois estimated population for 2015 is 12,900,879. The number of operating/procedure rooms in the State of Illinois is 3,054 rooms. The ratio of population to operating/procedure rooms is one (1) operating/procedure room per every 4,224 individuals. Based upon this analysis it does not appear there is a surplus of operating/procedure rooms in this ten mile geographical service area.

Reviewer Note: A surplus is defined as the ratio of operating/procedure rooms to the population within the forty-five (45) minute GSA [GSA Ratio], to the State of Illinois ratio that is 1.5 times the GSA ratio.]

3. Impact on Other Facilities

The applicants stated that no other provider within the GSA area will be impacted because the proposed project calls for the licensing of a single specialty ASTC providing vascular access service for dialysis treatments. The procedure is considered specialized and is normally performed in hospital operating/procedure rooms. The proposed project will allow the applicants to perform more of the specialized procedures in an ASTC setting and allow practicing physicians in the service area to increase their referral volume. The proposed project will not negatively impact area facilities.

The applicants have not met this requirement because there are several existing ASTCs, and hospitals currently underutilized in the proposed GSA.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE, MALDISTRIBUTION/ IMPACT ON OTHER FACILITIES (77 Ill. Adm. Code 1110.1540 (h) (1), (2), and (3))

G) Criterion 1110.1540 (i) - Staffing

To demonstrate compliance with this criterion, the applicants must provide documentation that relevant clinical and professional staffing needs will be met, and a medical director will be selected that is board certified.

To address this criterion, the applicants provided curriculum vitae for Dr. Akash Ahuja, M.D. (application, p. 93). The existing applicants' facilities are staffed in accordance with applicable licensing standards, will be sharing staff as needed, and has never had difficulties filling job openings in their facilities. Based upon the information provided in the application for permit, it appears that the proposed ASTC will be properly staffed.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 Ill. Adm. Code 1110.1540(i))

H) Criterion 1110.1540(j) - Charge Commitment

To document compliance with this criterion the applicants must provide the following:

- 1) A statement of all charges, except for any professional fee (physician charge); and
- 2) A commitment that these charges will not be increased, at a minimum, for the first two years of operation unless a permit is first obtained pursuant to 77 Ill. Adm. Code 1130.310(a).

The applicants supplied a statement of charges (application, pgs. 96-98), and certified

attestation that the identified charges will not increase for at least the first two years in operation as an ASTC.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CHARGE COMMITMENT (77 Ill. Adm. Code 1110.1540(j))

I) Criterion 1110.1540 (k) - Assurances

To demonstrate compliance with this criterion the applicants must attest that a peer review program will be implemented and the proposed ASTC will be at target occupancy two years after project completion.

The applicants provided certified attestation (Application, p. 99), that NANI Vascular South ASC will continue to maintain quality patient care standards and meet or exceed the utilization standards specified in 77 ILL. ADM. CODE 1100, by the second year of operation.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 Ill. Adm. Code 1110.1540(k))

X. FINANCIAL VIABILITY

The purpose of the Illinois Health Facilities Act *“This Act shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs.” [20 ILCS 3960]*

A) Criterion 1120.120 - Availability of Funds

B) Criterion 1120.130 - Financial Viability

To demonstrate compliance with this criterion the applicants must provide evidence that sufficient resources are available to fund the project.

The Applicants will fund this project internally with a combination of cash/securities (\$4,323,748) and leases with a fair market value of \$1,489,786. The Applicants provided projected viability ratios (see Table Six), and a balance sheet (see Table Seven), to show their financial viability.

TABLE SIX		
Projected Ratios		
	State Standard	Year 1
Current Ratio	≥1.5	14.4
Net Margin %	≥3.50%	20%
Debt to Total Capitalization	≤80%	0%
Debt Service Coverage	≥1.75	100
Days Cash on Hand Cash	≥45 days	183
Cushion Ratio	≥ 3	100

TABLE SEVEN	
Balance Sheet	
NANI Vascular North ASC, LLC	
Current Assets	\$1,956,015
Total Assets	\$7,769,549
Current Liabilities	\$135,798
Total Liabilities	\$1,489,786
Equity	\$6,279,763
Total Liabilities and Equity	\$7,769,549

The total project cost is \$5,813,534, of which \$3,493,074 (60%), is attributed to construction and equipment purchases. Approximately 75% of the project is being funded from cash and 25% is the FMV of an operating lease that will be paid out over term of the lease (see Table One). Based upon the information reviewed it appears funds are available.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS AND FINANCIAL VIABILITY (77 ILL. ADM. CODE 1120.120 and 77 Ill. Adm. Code 1120.130)

XI. ECONOMIC FEASIBILITY

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

The applicants will fund this project with a combination of cash/securities (\$4,323,748) and the fair market value of the lease (\$1,489,786). The applicants provided documentation proving financing for the proposed project comes from internal sources, and that sufficient financial viability exists to fund the project in its entirety. Therefore, these criteria have been met.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS TERMS OF DEBT FINANCING (77 Ill. Adm. Code 1120.140 (a-b))

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

The State Board staff applied the reported clinical costs and clinical spatial allotment (5,500 GSF) against the applicable State Board standards.

New Construction Costs – are \$2,691,154, or \$489.30 per GSF ($\$2,691,154 / 5,500 \text{ GSF} = \489.30). This appears **high** compared to the State Board Standard of \$480.97/GSF (2025 mid-point of construction).

Contingency Costs - These costs total \$159,777, or 7.8% of new construction costs. This appears reasonable compared to the State Board Standard of 10%.

Architectural and Engineering Fees – These costs total \$132,003, or 5.9% of new construction and contingencies costs (\$2,208,519). These costs appear reasonable compared to the State Board Standard of 7.06% to 10.6%.

Moveable Equipment Not in Construction Contracts – These costs total \$482,635. This appears reasonable compared to the State Board standard of \$584,781 per room (project mid-point: 2025).

Fair Market Value of Lease Space/Equipment – These cost total \$1,172,238. The State Board does not have a standard for these costs.

Consulting and Other Fees – These cost total \$280,166. The State Board does not have a standard for these costs.

Other Costs to be Capitalized – These cost total \$78,000. The State Board does not have a standard for these costs.

The Applicants appear to be in excess of the State standard for new construction costs, and a negative finding result.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 Ill. Adm. Code 1120.140(c))

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