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-04	BOARD MEETING: January 23, 2024	PROJECT NO: 23-040	PROJECT COST: Original: $26,885,756
FACILITY NAME: Cardiovascular Institute Ambulatory Surgery Center		CITY: Naperville	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (NS-EE Holdings d/b/a NorthShore - Edward-Elmhurst Health, Edward-Elmhurst Healthcare, Edward Hospital and Edward Health Ventures), propose to establish an Ambulatory Surgery Treatment Center performing cardiovascular catheterization services in Naperville, Illinois. The proposed ASTC will have 2 cardiovascular labs. Total capital costs associated with the project are $26,885,756. The expected completion date is June 30, 2025.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (NS-EE Holdings d/b/a NorthShore - Edward-Elmhurst Health, Edward-Elmhurst Healthcare, Edward Hospital and Edward Health Ventures), propose to establish an Ambulatory Surgery Treatment Center performing cardiovascular catheterization services in Naperville, Illinois only. The proposed ASTC will have 2 cardiovascular labs. Total capital costs associated with the project are $26,885,756. The expected completion date is June 30, 2025.
- The proposed ASTC will be located in a medical office building that the State Board approved as Permit #23-029. Ryan Companies US, Inc. is the developer of the medical office building and will lease the building to Edward Health Ventures.[1] Edward Health Ventures intends to sublease approximately 17,000 square feet of the 70,500 square feet medical office building to the Cardiovascular Institute ASTC. The initial lease term is for 15-years with four five-year renewal options. The medical office building will be three-stories with under-ground parking. Services at the new facility will include leased physician space, and an outpatient cardiac rehabilitation service.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the proposed project establishes a health care facility.

PUBLIC HEARING/COMMENT:

- No public hearing was requested, and the State Board has not received any support or opposition letters.

SUMMARY:

- The Applicants are proposing this project because of the high utilization of the six cardiac catheterization labs at Edward Hospital.
- The Applicants **addressed the variance to the establishment requirements** of subsection (b), Establishment or Expansion of Cardiac Catheterization Service which stated cardiac catheterization service shall be granted if the applicant can demonstrate that the proposed new program is necessary to alleviate excessively high demands on an existing operating program's capacity. The existing operating program (Edward Hospital) currently operates at a level of more than **750 procedures annually per laboratory.**
- The six cardiac catheterization labs at Edward Hospital averaged 819 cardiac catheterization procedures per lab since CY 2016. Edward Hospital program currently operates at a level of more than 750 procedures annually per laboratory the volume necessary to meet the variance to the establishment requirements.
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Criterion	Non-Compliant
77 ILAC 1110.235 – (c) (2) (B) (i) & (ii) – Geographical Service Area	The geographical service area for a proposed ASTC in Naperville Illinois is 10-miles. There are approximately 24 zip codes with a population of 734,805 within this 10-mile radius. Over the past 12-months approximately 32.3 % of the patients resided in the 10-mile GSA. The Applicants have **not** met the requirements of this criterion.

[1] Edward Health Ventures is a not-for-profit corporation that provides Physician Services in Primary Care, Obstetrics, Medical Oncology, Rheumatology, Neuroscience, Nephrology, Psychiatry, Hospitalists, and a Variety of Surgical Specialties.

Criterion	Non-Compliant
77 ILAC 1120.140 (c) – Reasonableness or Project Costs	**Movable Equipment** is $3,796,682 or $1,898,341 per room. These **costs appear HIGH** when compared to the State Board Standard of $567,748 per room.

Project #23-040
Cardiovascular Institute ASTC
State Board Staff Report

APPLICATION/CHRONOLOGY/SUMMARY	
Applicant	NS-EE Holdings d/b/a NorthShore - Edward-Elmhurst Health Edward-Elmhurst Healthcare Edward Hospital Edward Health Ventures
Facility Name	Cardiovascular Institute ASTC
Location	10 Martin Avenue, Naperville, Illinois
Permit Holder	NS-EE Holdings d/b/a NorthShore - Edward-Elmhurst Health
Licensee/Operating Entity	Cardiovascular Institute Ambulatory Surgery Center, LLC
Owner of Site	Ryan Companies US, Inc.
Application Received	09/07/2023
Application Deemed Complete	09/12/2023
Review Period Ends	01/10/2024
Project Completion Date	06/30/2025
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	Yes

I. The Proposed Project

The Applicants (NS-EE Holdings d/b/a NorthShore - Edward-Elmhurst Health, Edward-Elmhurst Healthcare, Edward Hospital and Edward Health Ventures), propose to establish an Ambulatory Surgery Treatment Center performing cardiovascular catheterization services in Naperville, Illinois only. The proposed ASTC will have 2 cardiovascular labs. Total capital costs associated with the project are $26,885,756. The expected completion date is June 30, 2025.

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 State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

The Applicants are NS-EE Holdings d/b/a NorthShore - Edward-Elmhurst Health, Edward-Elmhurst Healthcare, Edward Hospital and Edward Health Ventures. The Applicants are part of a health system consisting of 13 healthcare facilities located in Chicago and the Chicago metropolitan area (see Table One). This is a substantive project subject to Part 1110 review and Part 1120 review. Financial commitment will occur after permit issuance.

TABLE ONE
Facilities Owned or Operated by Applicant Party

Facility/City	Beds
Northshore Evanston Hospital, Evanston	352
NorthShore Glenbrook Hospital, Glenview	173
NorthShore Highland Park Hospital, Highland Park	139
NorthShore Skokie Hospital, Skokie	123
Swedish Hospital, Chicago	292
Northwest Community Hospital, Arlington Heights	509
Edward Hospital, Naperville	359
Elmhurst Memorial Hospital, Elmhurst	258
Linden Oaks Hospital, Naperville*	108
Edward Plainfield Emergency Center, Plainfield	N/A
Northwest Community Day Surgery Center, Arlington Heights	N/A
Northwest Endoscopy Center, Arlington Heights	N/A
Northwest Community Foot & Ankle Center, Des Plaines	N/A
*Acute Mental Illness Hospital NorthShore — Edward-Elmhurst Health is now known as **Endeavor Health.**	

V. Project Uses and Sources of Funds

The Applicants are funding this project with cash and securities amounting to $10,623,529.72, and the fair market value of leases totaling $16,262,226.01. The estimate start-up cost is $2 million. NorthShore-Edward-Elmhurst Health provided proof of an AA- bond rating (dated March 2022), from Standard and Poor's, as well as Audited Financial Statements to confirm their financial viability.

TABLE ONE
Use and Sources of Funds

Use of Funds	Reviewable	Non-Reviewable	Total	% of Total
New Construction Contracts	$1,952,891.25	$945,922.07	$2,898,813.32	10.78%
Contingencies	$191,793.99	$107,463.01	$299,257.00	1.11%
Architectural and Engineering Fees	$226,845.23	$222,419.77	$449,265.00	1.67%
Consulting and Other Fees	$358,125.93	$64,895.07	$423,021.00	1.57%
Movable or Other Equipment	$3,796,682.00	$113,877.00	$3,910,559.00	14.55%
Fair Market Value of Leased Space	$10,905,750.21	$5,356,475.79	$16,262,226.00	60.49%
Other Cost to be Capitalized	$1,420,979.08	$53,294.90	$1,474,273.98	5.48%
Acquisition of Building or Other Property	$783,510.75	$384,829.68	$1,168,340.43	4.35%
Total Uses	$19,636,578.44	$7,249,177.29	$26,885,755.73	100.00%
Sources				
Cash			$10,623,529.72	39.51%
Leases			$16,262,226.01	60.49%
Total Sources			$26,885,755.73	100.00%

VI. Background of the Applicants, Purpose of the Project, Safety Net Impact, Alternatives to the Project

A) Criterion 1110.110 (a) – Background of the Applicants

The Applicants have attested that no adverse action as defined in 77 IAC 1130.140 has been taken against any health care facility owned or operated by the Applicants in the State of Illinois during the three-year period prior to filing this application. The Applicants have authorized the Health Facilities and Services Review Board ("State Board") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for permit and authorize the State Board and IDPH to obtain any additional information or documents from other government agencies deem pertinent to process this application for permit.

B) Criterion 1110.110 (b) - Purpose of the Project

According to the Applicants the purpose of this project is to address the demand for cardiac catheterization services in the Edward Hospital service area. According to the Applicants all existing space at the hospital and existing medical office buildings are fully occupied. According to the Applicants the proposed surgery center will alleviate overutilization at Edward Hospital and ensure cardiac catheterization procedures are accessible at all hours of the day with less stress on hospital operations. From 2020 to 2022 cardiac catheterization procedures has increased by 6% annually. Edward Hospital is projecting 5,700 cardiac catheterization procedures by 2025. (See Application for Permit pages 63-66)

TABLE TWO
Historical Utilization
Edward Hospital

Year	Hospital	Labs	Total Procedures	Procedures per Lab
2016	Edward Hospital	6	5,118	853
2017	Edward Hospital	6	5,332	889
2018	Edward Hospital	6	5,651	942
2019	Edward Hospital	6	5,186	864
2020	Edward Hospital	6	3,906	651
2021	Edward Hospital	6	4,381	730
2022	Edward Hospital	6	4,825	804
	Average		4,914	819

C) Criterion 1110.110 (c) - Safety Net Impact Statement

This project is a substantive project. A Safety Net Impact Statement was provided as required at pages 141-147 of the Application for Permit. The financial assistance policy for the ASTC is provided at the end of this report.

TABLE THREE **Charity Care** NS-EE Holdings, Edward Hospital					
NS-EE Holdings					
	2022	2021	2020	2019	2018
Net Patient Rev	$4,597,195,892	$4,482,006,471	$3,363,211,240	$4,482,006,474	$4,597,195,892
Charity Care Charges	$206,661,115	$220,948,433	$249,621,886	$220,948,433	$206,661,115
Charity Care at Cost	$44,707,455	$48,018,319	$50,584,477	$48,018,319	$44,708,455
% Of Net Patient Rev.	1.10%	1.00%	1.50%	1.10%	1.00%
Edward Hospital					
Net Patient Rev	$760,341,855	$737,362,163	$620,228,063	$737,362,163	$760,341,855
Charity Care Charges	$26,435,806	$25,026,110	$31,218,943	$25,026,110	$26,435,806
Charity Care at Cost	$4,176,540	$4,032,757	$5,023,112	$4,032,757	$4,176,540
% Of Net Patient Rev.	0.55%	0.55%	0.81%	0.55%	0.55%

D) Criterion 1110.110 (d) – Alternatives to the Proposed Project

The Applicant considered three alternatives to proposed project to construct a Medical Office Building. They are:

1) Do Nothing (no project costs)

The Applicants rejected this alternative because of the high utilization at Edward Hospital's six cardiac catheterization labs. According to the Applicants doing nothing would negatively impact the ability to improve access and address the communities' needs.

2) Increase Capacity at Edward Hospital (no estimated project costs)

The Applicants state there is no available space adjacent to the existing cardiac catheterization labs at Edward Hospital. According to the Applicants to build additional labs adjacent to the existing cardiac catheterization labs at the Hospital, existing areas/departments would need to be relocated to other areas of the Hospital extending the timeframe for operation of the additional cardiac catheterization labs. Additionally, according to the Applicants existing medical office space on the hospital campus is 100% occupied. The Applicants did not develop cost estimates for this option.

3) Lease/Buy an Existing Building in the Same General Location (no estimated project costs)

The Applicants utilized the services of a commercial realtor to pursue this option, and no other buildings/sites were found that met the criteria that justifies the project as proposed. The Applicants note specifically the absence of space/property in close proximity to the campus, to enhance patient/clinician access. According to the Applicants proximity of the on-campus site to the Hospital will allow the Surgery Center to utilize the Hospital's support services such as pharmacy and clinical pathology services.

VII. Size of the Project, Projected Utilization

A) Criterion 1110.120 (a) - Size of the Project

The Applicants are proposing two operating rooms and 9 recovery stations for this ASTC. The State Board Standard for operating rooms is 2,750 GSF per room. The State Board Standard for recovery stations is 4 rooms per operating rooms. (See Part 1110 Appendix B)

TABLE FOUR
Size of the Project

Department	Cost	Proposed	State Standard/GSF	Met Standard
REVIEWABLE				
Operating Rooms (2)	$10,648,205	3,932	2,750 GSF per Room	Yes
Prep and Recovery Space (9)	$3,199,355	1,569	NA	
Nursing Station	$1,105,195	542	NA	
Building Gross [(1)]	$4,683,824	2,297	NA	
TOTAL Reviewable	$19,636,579	8,340		
NON-Reviewable				
Reception/Registration	$135,785	142	NA	
Storage/Supplies/Equipment	$787,933	2,114	NA	
Patient Toilet	$269,657	282	NA	
Staff Lockers/Lounge	$2,117,093	2,214	NA	
MEP/Housekeeping	$611,987	640	NA	
Decontamination/Sterilization	$320,337	335	NA	
Building Gross [(1)]	$3,006,386	3,144	NA	
TOTAL Non-Reviewable	**$7,249,178**	**8,871**		
TOTAL	**$26,885,756**	**17,211**		

Building Gross: The area of the building from the outside of exterior walls, excluding unenclosed exterior spaces.

B) Criterion 1110.120 (b) – Projected Utilization

According to the Applicants Midwest Cardiovascular Institute physicians performed 4,567 cardiac catheterization procedures in 2022 and are projecting to perform 1,090 cardiac catheterization procedures by the second year after project completion at the proposed ASTC. The current State Board Standard is 400 cardiac catheterizations annually. The Applicants have successfully addressed this criterion.

Section 1110.225 - Cardiac Catheterization

This Section contains Review Criteria that pertain to the Cardiac Catheterization category of service.

A) Criterion 1125.225 (a) - Peer Review

Any applicant proposing the establishment or modernization of a cardiac catheterization unit shall detail in its application for permit the mechanism for adequate peer review of the program. Peer review teams will evaluate the quality of studies and related morbidity and mortality of patients and also the technical aspects of providing the services such as film processing, equipment maintenance, etc.

The Applicants state Edward Hospital has a multi-disciplinary peer review process in place. According to the Applicants this process includes peer review processes associated with the existing cardiac catheterization program at Edward Hospital. The Applicants state the proposed Surgery Center will establish a program that evaluates whether cardiac catheterization patient outcomes are consistent with quality standards established by professional organizations for cardiovascular services. If outcomes do not meet or exceed those standards. a quality improvement plan will be initiated. (See page 72 of the Application for Permit)

B) Criterion 1110.225 (b) - Establishment or Expansion of Cardiac Catheterization Service

There shall be not additional adult or pediatric catheterization categories of service started in a health planning area unless:

1) the standards as outlined in 77 Ill. Adm. Code 1100.620 are met; unless
2) in the circumstances where area programs have failed to meet those targets, the applicant can document historical referral volume in each of the prior 3 years for cardiac catheterization in excess of 400 annual procedures (e.g., certification of the number of patients transferred to other service providers in each of the last 3 years).

The Applicants are requesting the multi-institutional variance. A variance to the establishment requirements of this requirement, **Establishment of Catheterization Service shall be granted if the applicant can demonstrate that the proposed new program is necessary to alleviate excessively high demands on an existing operating program's capacity.** As seen in the Table below Edward Hospital over a 7-year period has averaged 819 procedures per lab and a total of 4,914 procedures per year. Based upon this utilization the Applicants has successfully addressed the variance to this project.

TABLE FIVE
Historical Utilization

Year	Hospital	Lab	Total Procedures	Procedures per Lab
2016	Edward Hospital	6	5,118	853
2017	Edward Hospital	6	5,332	889
2018	Edward Hospital	6	5,651	942
2019	Edward Hospital	6	5,186	864

TABLE FIVE
Historical Utilization

Year	Hospital	Lab	Total Procedures	Procedures per Lab
2020	Edward Hospital	6	3,906	651
2021	Edward Hospital	6	4,381	730
2022	Edward Hospital	6	4,825	804
	Average		4,914	819

C) Criterion 1110.225 - Unnecessary Duplication of Services

1) Any application proposing to establish cardiac catheterization services must indicate if it will reduce the volume of existing facilities below 200 catheterizations.
2) Any applicant proposing the establishment of cardiac catheterization services must contact all facilities currently providing the service within the planning area in which the applicant facility is located, to determine the impact the project will have on the patient volume at existing services.

The Planning Area for Cardiac Catheterization is the Health Service Area. The proposed ASTC is located in the HSA VII Health Service Area. There are 24 Hospitals in the HSA VII Health Service Area operating cardiac catheterization programs. The Applicants mailed impact letters to Hospitals within the HSA VII Cardiac Catheterization Planning Area asking for any impact the proposed ASTC will have on the utilization at their Hospital (See Application for Permit page 77-101). No impact letters have been received by the State Board as of the date of this report. There is one hospital in the HSA VII Cardiac Catheterization Planning Area that operated at less than 200 cardiac cath procedures in 2022 (NorthShore HealthSystem Glenbrook Hospital). See Table below.

TABLE SIX
Hospitals in the HSA VII Cardiac Catheterization Planning Area

				Diagnostic		Interventional			
Hospital	City	# of Labs	Total Procedures	0-14 Yrs.	15+Yrs.	0-14 Yrs.	15+ Yrs.	Electro-Physiological	Procedures per Lab
Advocate Christ Medical Center	Oak Lawn	7	6,045	91	3,672	239	1,015	1,028	864
Edward Hospital	Naperville	6	4,825	0	2,152	0	2,155	518	804
Elmhurst Hospital	Elmhurst	4	4,447	0	1,923	0	1,174	1,350	1,112
Lutheran General Hospital - Advocate	Park Ridge	4	3,972	1	447	1	2,647	876	993
Evanston Hospital	Evanston	3	3,584	0	1,642	0	1,017	925	1,195
Good Samaritan Hospital - Advocate	Downers Grove	4	3,204	0	1,679	0	581	944	801
Alexian Brothers Medical Center	Elk Grove Village	4	3,022	0	1,160	0	735	1,127	756
NW Medicine Central DuPage Hospital	Winfield	4	2,795	0	1,501	0	367	927	699
Palos Community Hospital	Palos Heights	2	2,002	0	872	0	453	677	1,001
Advocate South Suburban Hospital	Hazel Crest	3	1,540	0	1,018	0	354	168	513
MacNeal Hospital	Berwyn	2	1,466	0	968	0	384	114	733
Northwest Community Hospital	Arlington Heights	4	1,417	0	663	0	466	288	354
OSF Little Company of Mary Medical Ctr.	Evergreen Park	2	1,153	0	657	0	260	236	577
Saint Alexius Medical Center	Hoffman Estates	2	1,153	0	501	0	652	0	577
AdventHealth Hinsdale	Hinsdale	3	1,112	0	648	0	278	186	371
Franciscan Health- Olympia Fields	Olympia Fields	4	800	0	425	0	188	187	200
Ingalls Memorial Hospital	Harvey	2	671	0	420	0	96	155	336
West Suburban Medical Center	Oak Park	1	614	0	365	0	249	0	614
Presence Saint Francis Hospital	Evanston	2	524	0	208	0	96	220	262
Rush Oak Park Hospital, Inc.	Oak Park	1	475	0	254	0	153	68	475
Loyola Health System at Gottlieb	Melrose Park	1	412	0	317	0	95	0	412
AdventHealth GlenOaks	Glendale Heights	1	355	0	237	0	84	34	355
AdventHealth La Grange	La Grange	2	206	0	110	0	96	0	103
NorthShore Univ. HS. Glenbrook Hospital	Glenview	1	118	0	54	0	58	6	118
		69	45,912						

D) Criterion 1110.225 (e) - Support Services

1) Any applicant proposing the establishment of a dedicated cardiac catheterization laboratory must document the availability of the following support services.
   - A) Nuclear medicine laboratory.
   - B) Echocardiography service.
   - C) Electrocardiography laboratory and services, including stress testing and continuous cardiogram monitoring.
   - D) Pulmonary Function unit.
   - E) Blood bank.
   - F) Hematology laboratory-coagulation laboratory.
   - G) Microbiology laboratory.
   - H) Blood Gas laboratory.
   - I) Clinical pathology laboratory with facilities for blood chemistry.
2) These support services need not be in operation on a 24-hour basis but must be available when needed.

The Applicants stated that support services will be provided by Edward Hospital or Midwest Cardiovascular Institute (Application for Permit page 73). The Applicants have met the requirements of this criterion.

E) Criterion 1110.225 (f) - Laboratory Location

Due to safety considerations in the event of technical breakdown it is preferable to group laboratory facilities. Thus, in projects proposing to establish additional catheterization laboratories such units must be located in close proximity to existing laboratories unless such location is architecturally infeasible.

The proposed surgery center will include two cardiac catheterization labs that will be located adjacent to one another. The Applicants have successfully addressed this criterion.

F) Criterion 1110.225 (g) - Staffing

It is the policy of the State Board that if cardiac catheterization services are to be offered that a cardiac catheterization laboratory team be established. Any applicant proposing to establish such a laboratory must document that the following personnel will be available:

1) Lab director board-certified in internal medicine, pediatrics, or radiology with subspecialty training in cardiology or cardiovascular radiology.
2) A physician with training in cardiology and/or radiology present during examination with extra physician backup personnel available.
3) Nurse specially trained in critical care of cardiac patients, knowledge of cardiovascular medication, and understanding of catheterization equipment.
4) Radiologic technologist highly skilled in conventional radiographic techniques and angiographic principles, knowledgeable in every aspect of catheterization instrumentation, and with thorough knowledge of the anatomy and physiology of the cardiovascular system.
5) Cardiopulmonary technician for patient observation, handling blood samples and performing blood gas evaluation calculations.
6) Monitoring and recording technician for monitoring physiologic data and alerting physician to any changes.
7) Electronic radiologic repair technician to perform systematic tests and routine maintenance; must be immediately available in the event of equipment failure during a procedure.
8) Darkroom technician well trained in photographic processing and in the operation of automatic processors used for both sheet and cine film.

According to the Applicants, the required staff will be contracted to the ASTC by Edward Hospital for a 1-month interval. The ASTC will be invoiced for the hourly rate and benefits for the staff leased to the ASTC. New staff that is hired into the Cath Department will take a minimum 6-9 months to train as they need to have knowledge of Cardiac Cath, Peripheral Vascular and Electrophysiology procedures. The Applicants state despite a currently shortage of both registered nurses and radiology technicians within this specialty area of Cardiac Cath, Edward Hospital has a sound recruitment strategy. Leasing the experienced staff from the hospital to the ASTC allows for experienced staff to work at the ASTC. Edward Hospital will employ its typical recruiting practices as necessary to ensure appropriate staffing at the hospital and Surgery Center cardiac catheterization labs. The Applicants have documented that a cardiac catheterization team will be in place as required. The Applicants have successfully addressed this criterion.

G) Criterion 1110.225 (h) - Continuity of Care

Any applicant proposing the establishment, expansion or modernization of a cardiac catheterization service must document that written transfer agreements have been established with facilities with open-heart surgery capabilities for the transfer of seriously ill patients for continuity of care.

The proposed surgery center has a written transfer agreement with Edward Hospital for the transfer of seriously ill patients from the proposed surgery center who require acute care including open heart surgery. The Hospital Transfer Agreement provided at pages 102-108 of the Application for Permit. The Applicants have successfully addressed this criterion.

H) Criterion 1110.225 (i) - Multi-Institutional Variance

1) A variance to the establishment requirements of subsection (b), Establishment or Expansion of Cardiac Catheterization Service **shall be granted if the applicant can demonstrate that the proposed new program is necessary to alleviate excessively high demands on an existing operating program's capacity.**
2) Each of the following must be documented:
   A) That the proposed unit will be affiliated with the existing operating program. This must be documented by written referral agreements between the facilities, and documentation of shared medical staff.
   B) That the existing operating program provides open heart surgery.
   C) That initiation of a new program at the proposed site is more cost effective, based upon a comparison of charges, than expansion of the existing operating program.
   D) That the existing operating program currently operates at a level of more than **750 procedures annually per laboratory;** and
   E) That the proposed unit will operate at the minimum utilization target occupancy and that such unit will not reduce utilization in existing programs below target occupancy (e.g., certification of the number of patients transferred to other service providers in each of the last 3 years and market studies developed by the applicant indicating the number of potential catheterization patients in the area served by the applicant).
3) The existing operating program cannot utilize its volume of patient procedures to justify a second affiliation agreement until such time as the operating program is again operating at 750 procedures annually per laboratory and the affiliate is operating at 400 procedures per laboratory.

The Applicants are requesting a variance to the establishment requirements because the six cardiac catheterization labs at Edward Hospital are operating at more than 750 procedures per lab since 2016. The proposed Surgery Center is affiliated with Edward Hospital with Edward Hospital having a controlling interest. Edward Hospital operates an open-heart surgery program.

TABLE SEVEN Open Heart Program Edward Hospital	
Edward Hospital Open Heart Procedures 2016-2022	
Year	Procedures
2016	299
2017	313
2018	947
2019	854
2020	699
2021	802
2022	837
Average	688

The Applicants state all the physicians on staff at the proposed Surgery Center will also be on staff at Edward Hospital. A comparison of charges at Edward Hospital and the proposed ASTC is attached at the end of this report as additional information provided by the Applicants. Over a seven-year period Edward Hospital has averaged 819 cardiac cath procedures at their 6 labs. Edward Hospital will have a controlling interest in the proposed Surgery Center, which will be located in a new medical office building (Permit #23-029) on the Edward Hospital campus and will house cardiac physician offices to allow for continuity of care.

PROJECT TYPE	REQUIRED REVIEW CRITERIA		
Establishment of ASTC Facility or Additional ASTC Service	(c)(2)(B)(i) & (ii)	–	Service to GSA Residents
	(c)(3)(A) & (B) or (C)	–	Service Demand – Establishment
	(c)(5)(A) & (B)	–	Treatment Room Need Assessment
	(c)(6)	–	Service Accessibility
	(c)(7)(A) through (C)	–	Unnecessary Duplication/ Maldistribution
	(c)(8)(A) & (B)	–	Staffing
	(c)(9)	–	Charge Commitment
	(c)(10)(A) & (B)	–	Assurances

Section 1110.235 - Non-Hospital Based Ambulatory Surgical Treatment Center Services

2) Service to Geographical Service Area

The applicant shall document that the ASTC services and the number of surgical/treatment rooms to be established, added, or expanded are necessary to serve the planning area's population, based on the following:

A) 77 Ill. Adm. Code 1100 (Formula Calculation)

As stated in 77 Ill. Adm. Code 1100, no formula need determination for the number of ASTCs and the number of surgical/treatment rooms in a geographic service area has been established. Need shall be established pursuant to the applicable review criteria of this Part.

B) Service to Geographic Service Area Residents

The applicant shall document that the primary purpose of the project will be to provide necessary health care to the residents of the geographic service area (GSA) in which the proposed project will be physically located.

i) The applicant shall provide a list of zip code areas (in total or in part) that comprise the GSA. The GSA is the area consisting of all zip code areas that are located within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the project's site.

ii) The applicant shall provide patient origin information by zip code for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the GSA. Patient origin information shall be based upon the patient's legal residence (other than a health care facility) for the last 6 months immediately prior to admission.

The State Board does not have a need determination for the number of ASTCs and the number of surgical/treatment rooms in a geographical service area. The geographical service area for a proposed ASTC in Naperville Illinois is 10-miles. There are approximately 24 zip codes with a population of 734,805 within this 10-mile radius. Over the past 12-months approximately 32.3 % of the patients resided in the 10-mile GSA. The Applicants have **not** met the requirements of this criterion.

3) Service Demand – Establishment of an ASTC Facility

The applicant shall document that the proposed project is necessary to accommodate the service demand experienced annually by the applicant, over the latest 2-year period, as evidenced by historical and projected referrals. The applicant shall document the information required by subsection (c)(3) and either subsection (c)(3)(B) or (C):

A) Historical Referrals

The applicant shall provide physician referral letters that attest to the physician's total number of treatments for each ASTC service that has been referred to existing IDPH-licensed ASTCs or hospitals located in the

GSA during the 12-month period prior to submission of the application. The documentation of physician referrals shall include the following information:

i) patient origin by zip code of residence.
ii) name and specialty of referring physician.
iii) name and location of the recipient hospital or ASTC; and
iv) number of referrals to other facilities for each proposed ASTC service for each of the latest 2 years.

B) Projected Service Demand

The applicant shall provide the following documentation:

i) Physician referral letters that attest to the physician's total number of patients (by zip code of residence) who have received care at existing IDPH-licensed ASTCs, or hospitals located in the GSA during the 12-month period prior to submission of the application.
ii) Documentation demonstrating that the projected patient volume, as evidenced by the physician referral letters, is from within the GSA defined under subsection (c)(2)(B).
iii) An estimated number of treatments the physician will refer annually to the applicant facility within a 24-month period after project completion. The anticipated number of referrals cannot exceed the physician's experienced caseload. The percentage of projected referrals used to justify the proposed establishment cannot exceed the historical percentage of applicant market share within a 24-month period after project completion.
iv) Referrals to health care providers other than IDPH-licensed ASTCs or hospitals will not be included in determining projected patient volume.
v) Each physician referral letter shall contain the notarized signature, the typed or printed name, the office address, and the specialty of the physician; and
vi) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services.

The Applicants provided a referral letter from the Chief Executive Officer of Midwest Cardiovascular Institute[2] documenting that the physicians for period from January 1, 2022, to December 31, 2022, performed a total of 4,567 cardiac procedures at Edward Hospital and Elmhurst Memorial Hospital.

TABLE EIGHT
Proposed Referrals

Hospital	Number of Cases	Proposed Referrals to ASTC
Edward Hospital	2,379	634
Elmhurst Memorial Hospital	2,188	456
Total	4,567	1,090

[2] **Midwest Cardiovascular Institute** - Twenty cardiologists in Chicagoland formed Midwest Cardiovascular Institute, also known as MCI in the summer of 2021. According to the website the physicians have practiced in the area for more than 30 years and are renowned for experience and expertise in cardiovascular medicine. The team at MCI specializes in diagnosing and treating a variety of cardiovascular conditions, including heart disease, structural heart disease, peripheral artery disease and venous disease in the legs, as well as advanced heart failure, arrhythmias, and lipid management. (Source https://midwestcardio.com/about-us)

5) Treatment Room Need Assessment

A) The applicant shall document that the proposed number of surgical/treatment rooms for each ASTC service is necessary to service the projected patient volume. The number of rooms shall be justified based upon an annual minimum utilization of 1,500 hours of use per room, as established in 77 Ill. Adm. Code 1100.

B) For each ASTC service, the applicant shall provide the number of patient treatments/sessions, the average time (including setup and cleanup time) per patient treatment/session, and the methodology used to establish the average time per patient treatment/session (e.g., experienced historical caseload data, industry norms or special studies).

The Applicants propose to establish a Surgery Center with two cardiac catheterization labs. The referring physicians anticipating performing 1,090 cardiac catheterization procedures by the second year after project completion (2027). The Applicants are estimating an average length of time per procedure of 1.5 hour per procedure for a total of 1,635 hours. (1,090 procedures × 1.5 hours = 1,635 hours). The Applicants have justified the two cardiac cath labs being proposed.

6) Service Accessibility

The proposed ASTC services being established or added are necessary to improve access for residents of the GSA. The applicant shall document that at least one of the following conditions exists in the GSA:

A) There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project.

B) 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.

C) 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.

D) The proposed project is a cooperative venture sponsored by 2 or more persons, at least one of which operates an existing hospital. Documentation shall provide evidence that:

i) The existing hospital is currently providing outpatient services to the population of the subject GSA.

ii) 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

iii) 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.

iv) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

There are 13 ASTCs in the 10-mile GSA none of which have been approved to perform cardiovascular procedures. There are six hospitals within this 10-mile GSA all provide cardiovascular procedures. Finally, this proposed project is a cooperative venture with Edward Hospital. The Applicants have met the requirements of this criterion.

TABLE NINE
Hospitals within the 10-mile GSA
2022 Data

Hospitals	City	Miles	Labs	Procedures	Procedures per Lab
Edward Hospital	Naperville	0	6	4,825	805
AdventHealth Bolingbrook	Bolingbrook	6.5	1	414	414

TABLE NINE Hospitals within the 10-mile GSA 2022 Data					
Rush Copley Medical Center	Aurora	6.6	3	1,490	497
Northwestern Medicine Central DuPage	Winfield	7.8	4	2,795	699
Good Samaritan Hospital - Advocate	Downers Grove	8.2	4	3,204	801
Presence Mercy Center	Aurora	9.5	2	1,235	618

7) Unnecessary Duplication/Maldistribution

A) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information for the proposed GSA zip code areas identified in subsection (c)(2)(B)(i):

i) the total population of the GSA (based upon the most recent population numbers available for the State of Illinois); and

ii) the names and locations of all existing or approved health care facilities located within the GSA that provide the ASTC services that are proposed by the project.

B) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the GSA has an excess supply of facilities and ASTC services characterized by such factors as, but not limited to:

i) a ratio of surgical/treatment rooms to population that exceeds one and one-half times the State average.

ii) historical utilization (for the latest 12-month period prior to submission of the application) for existing surgical/treatment rooms for the ASTC services proposed by the project that are below the utilization standard specified in 77 Ill. Adm. Code 1100; or

iii) insufficient population to provide the volume or caseload necessary to utilize the surgical/treatment rooms proposed by the project at or above utilization standards specified in 77 Ill. Adm. Code 1100.

C) The applicant shall document that, within 24 months after project completion, the proposed project:

i) will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and

ii) 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.

There are 183 operating/procedure rooms in this GSA. The population within the GSA is 734,805 residents or 1 operating/procedure room per 4,015 residents. There are 2,626 operating/procedure rooms in the State of Illinois. Estimated population in the State of Illinois is 12,671,469 or 1 operating/procedure room per 4,825 residents. There is not a surplus of operating/procedure rooms in this GSA based upon the ratio of surgical/treatment rooms to population that exceeds one and one-half times the State of Illinois average.

None of the 13 ASTCs within the GSA have been approved to provide cardiac catheterization services. There are six hospitals within the 10-Mile GSA performing cardiac catheterization procedures. All six hospitals are performing in excess of 400 cardiac catheterization procedures which is the State Board requirement to establish an additional cardiac catheterization service. [3]

[3] Section 1100.620 - Cardiac Catheterization Services

a) Planning Areas: Health Service Areas as defined by the Department of Health and Human Services pursuant to P.L. 93-641.

b) Utilization Standards:

The Applicants state the purpose of the establishment of the ASTC performing cardiac catheterizations is to reduce overutilization of the six cardiovascular labs at Edward Hospital. The Applicants do not believe any other health care facility will be impacted with the establishment of this ASTC. The Applicants have met the requirements of this criterion.

8) Staffing

A) Staffing Availability

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that the staffing requirements of licensure and The Joint Commission or other nationally recognized accrediting bodies can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

B) Medical Director

It is recommended that the procedures to be performed for each ASTC service are under the direction of a physician who is board certified or board eligible by the appropriate professional standards organization or entity that credentials or certifies the health care worker for competency in that category of service.

The Applicants state the proposed ASTC will be leasing existing staff from Edward Hospital and have stated a cardiac catheterization team will in place at the proposed ASTC. The Applicants state the required staff will be contracted to the ASC for a 1-month interval. The ASC will be invoiced for the hourly rate and benefits for the staff leased to the ASC. According to the Applicants the new staff that is hired into the Cath Department can take a minimum 6-9 months to train as they need to have knowledge of Cardiac Cath, Peripheral Vascular and Electrophysiology procedures. The Applicants state despite a current shortage of both registered nurses and radiology technicians within this specialty area of Cardiac Cath, Edward Hospital has a sound recruitment strategy. Leasing the experienced staff from the hospital to the ASC allows for experienced staff to work at the ASC. Edward Hospital will employ its typical recruiting practices as necessary to ensure appropriate staffing at the hospital and Surgery Center cardiac catheterization labs. The Applicants have met the requirements of this criterion.

9) Charge Commitment

In order to meet the objectives of the Act, which are *to improve the financial ability of the public to obtain necessary health services; and to establish an orderly and comprehensive health care delivery system that will guarantee the availability of quality health care to the general public; and cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process* [20 ILCS 3960/2], the applicant shall submit the following:

A) a statement of all charges, except for any professional fee (physician charge); and

B) a commitment that these charges will not increase, at a minimum, for the first 2 years of operation unless a permit is first obtained pursuant to 77 Ill. Adm. Code 1130.310(a).

At the conclusion of this report as additional information is a listing of gross charges at the hospital and charges at the proposed ASTC. The Applicants have stated that ASTC charges

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There should be a minimum of 200 cardiac catheterization procedures performed annually within two years after initiation.

c) Need Determination – Cardiac Catheterization Programs:

No additional cardiac catheterization service shall be started unless each facility in the planning area offering cardiac catheterization services operates at a level of 400 procedures annually.

will not be increased at a minimum for two years unless a permit is first obtained. The Applicants have successfully addressed this criterion (Application for Permit page 118).

10) Assurances

A) The applicant shall attest that a peer review program exists or will be implemented that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for the ASTC services, and if outcomes do not meet or exceed those standards, that a quality improvement plan will be initiated.

B) The applicant shall document that, in the second year of operation after the project completion date, the annual utilization of the surgical/treatment rooms will meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100. Documentation shall include, but not be limited to, historical utilization trends, population growth, expansion of professional staff or programs (demonstrated by signed contracts with additional physicians) and the provision of new procedures that would increase utilization.

The required authorizations were provided at pages 118 and 119 of the Application for Permit.

IX. Financial Viability and Economic Feasibility

A) Criterion 1120.120 - Availability of Funds
B) Criterion 1120.130 – Financial Viability

The Applicants are funding this project with a combination of cash and securities totaling $16,100,864, and leases with a fair market value of $50,555,391. The Applicants have qualified for the financial viability waiver because the Applicants have an A or better bond rating. The Applicants report having an Aa3/Stable bond rating from Moody's Investors Service (March 2022), and an Aa-/Stable bond rating from Standard & Poor's ratings service (March 2022). The Applicants also supplied audited financial statements for fiscal year 2022 that ascertains the financial viability required to complete the project. Table Eight includes the profit and loss for Edward Hospital in Naperville for the years 2017 – 2021.

TABLE TEN
Audited Financial Statements
NS-EE Holdings
Fiscal Year Ended December 31, 2022
(In thousands)

	2022
Cash	$227,858
Current Assets	$1,173,174
Total Assets	$8,969,709
Current Liabilities	$852,708
LTD	$1,530,000
Total Liabilities	$2,515,795
Net Patient Revenue	$4,597,196
Total Revenues	$5,343,454
Income from Operations	$14,299
Net Income	($26,749)

Source: NS-EE Audited Financial Statement Application File

TABLE EIGHT
Edward Hospital
Income
(Medicare Cost Reports)

	2018	2019	2020	2021	2022
Total Patient Revenue	$3,342,673,055	$3,495,406,939	$3,327,953,276	$3,722,208,602	$4,100,349,041
Less Contractual All	$2,670,937,472	$2,837,947,503	$2,704,169,266	$3,021,831,952	$3,349,000,900
Net Patient Revenue	$671,735,583	$657,459,436	$623,784,010	$700,376,650	$751,348,141
Operating Expense	$645,344,741	$637,657,259	$645,602,272	$642,810,054	$680,630,921
Net Income from Services	$26,390,842	$19,602,177	($21,818,262)	$57,566,596	$70,717,220

TABLE EIGHT					
Edward Hospital					
Income					
(Medicare Cost Reports)					
	2018	2019	2020	2021	2022
Other Income	$27,380,497	$258,947,742	$41,244,973	$59,850,668	$93,349,870
Net Income or Loss	$53,771,340	$45,999,919	$19,426,711	$117,417,264	$93,349,866

A) Criterion 1120.140 (a) – Reasonableness of Project Debt Financing
B) Criterion 1120.140 (b) – Terms of Debt Financing

Ryan Companies US, Inc. is the developer of the medical office building and will lease the building to Edward Health Ventures. Edward Health Ventures will sublease approximately 17,200 square feet to The Cardiovascular Institute Ambulatory Surgery Center. The initial lease term is for 15-years with four five-year renewal options. The Building Rent is $39.99 per rentable square foot subject to 2.5% per rentable square foot annual escalation plus supplemental payment of all other amounts associated with ownership, use, repair, maintenance, possession, and management of the building. There are four five-year renewal options. Should the State Board approve the project Edward Hospital and Ryan Companies US, Inc. will enter into a 50-year ground lease with 2 (25) year extensions. See pages 37-50 of the Application for Permit. The Applicants have met the requirements of these criteria.

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

New Construction Costs and Contingencies total $2,144,685.24 or $257.16 per GSF. These costs appear reasonable when compared to the State Board Standard of $466.97 per GSF.

Contingency costs are $191,793.99 or 9.82% of new construction costs. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering fees total $226,845.23 or 10.58% of new construction and contingencies. These costs appear reasonable when compared to the range of 7.36-11.06% for architectural and engineering fees.

Movable Equipment is $3,796,682 or $1,898,341 per room. These **costs appear HIGH** when compared to the State Board Standard of $567,748 per room.

The State Board does not have standards for the costs listed below.

Consulting and Other Fees	$358,125.93
Fair Market Value of Leased Space	$10,905,750.21
Other Cost to be Capitalized	$1,420,979.08
Acquisition of Building or Other Property	$783,510.75

Explanation of Allocation of these two-line items

Acquisition of property or building – The acquisition cost is for the purchase of the 10 W. Martin property from Ryan Developers at $4.8M. This amount was then allocated on a space percentage basis between the MOB (76%) and the ASC (24%). Based on those percentages the breakdown was $3,631,659.57 for the MOB and $1,168,340.43 for the ASC. Further breakdown of the ASC between Clinical (67%) and Nonclinical (33%) space resulted in the breakdown of $783,510.75 and $384,829.68.

Other costs to be capitalized – see detail below on this category

	Clinical	Non-clinical	Total
Exterior and Interior Building Signage	108,508	53,295	161,803
Lab clean core	490,312		490,312
Lab control	407,624		407,624
Prep stage II area	150,145		150,145
Nurse station	98,361		98,361
Medication area	45,913		45,913
Prep stage I area	120,116		120,116
Total - Other costs to be capitalized	**1,420,979**	**53,295**	**1,474,274**

D) Criterion 1120.140 (d) - Direct Operating Costs

E) Criterion 1120.140 (e) – Effect of the Project on Capital Costs

The Applicants are estimating $3,768 in direct operating costs per case and $937.50 in capital costs (depreciation interest and amortization) per case. The State Board does not have standards for these cost (Applicants response can be found at page 138 of the Application for Permit.

TABLE NINE Elmhurst Hospital Historical Data				
Year	Labs	Procedures	Procedure per Lab	Open Heart Procedures
2016	4	3,731	933	160
2017	4	3,800	950	176
2018	4	3,666	917	327
2019	4	3,747	937	347
2020	4	3,004	751	300
2021	4	3,627	907	331
2022	4	4,447	1112	358

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