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-01	BOARD MEETING: March 12, 2024	PROJECT NO: 23-033	PROJECT COST: Original: $2,424,699
FACILITY NAME: Pain & Spine Institute Surgery Center		CITY: Joliet	
TYPE OF PROJECT: Substantive			HSA: IX

DESCRIPTION: The Applicants (DxTx Pain & Spine LLC, and Pain & Spine Institute Surgery Center, LLC), propose to establish a single specialty ambulatory surgical treatment center ("ASTC") providing Pain Management surgical services, located at 756 Essington Road, Unit A, Joliet, Illinois. The cost of the project is $2,424,699. The completion date is December 31, 2025.

Information on this project can be found at this link: https://hfsrb.illinois.gov/projects/project.23-033---pain-and-spine-institute-surgery-center.html

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (DxTx Pain & Spine, LLC, and Pain & Spine Institute Surgery Center, LLC) propose to convert a physician office-based practice to a single specialty ambulatory surgical treatment center ("ASTC") providing Pain Management services, in a facility containing one operating room and three recovery stations. The proposed facility will be located at 756 Essington Road, Unit A, Joliet, Illinois. The cost of the project is $2,424,699. The completion date is December 31, 2025.
- The Application was modified on February 5, 2024. This is considered a Type B Modification not requiring a Notice of an Opportunity for a Public Hearing.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The Applicants propose to establish a health care facility as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3).

PURPOSE OF THE PROJECT:

- The Applicants state: *"The Applicants seek to convert its existing physician-office based interventional pain management practice to an Ambulatory Surgery Treatment Center (ASTC). Pain & Spine Institute (PSI) operates a medical practice employing a multidisciplinary, multispecialty approach to pain care to help patients control and minimize their pain. As part of that practice, one of the ancillary services the medical practice provides is interventional pain management. Currently, there are two ASTCs within 10 miles of the planned facility that are approved for pain management, and both continuously operate above the State Board standard. ASTCs play a vital role in ensuring patient access to pain management in a convenient and affordable setting. When performed in ASTCs, both patients and payors save money because surgery centers perform the procedures at a lower cost than hospital outpatient departments (HOPDs). Furthermore, patients often report an enhanced experience at ASTCs compared to HOPDs, in part to easier access to parking, shorter waiting times, and ease of access in and out of the operating rooms."*

PUBLIC HEARING/COMMENT:

- No public hearing was requested, the project file contains nine letters of support and no letters of opposition.

SUMMARY

- When evaluating a proposed project, by rule the State Board must consider if a proposed project best meets the needs of an area population. Need for a project considers such factors as demand, population growth, incidence and state and federal facility utilization (77 ILAC 1100.310). To determine the need [demand] for an ASTC facility the State Board relies on the physician referrals to health care facilities. State Board Rule requires referrals for the most recent 12-months that are available. To justify the proposed project the Applicants have relied upon referrals to an office-based facility. **77 ILAC 1110.235 (3) (iv) states** *"Referrals to health care providers other than* ***IDPH-licensed ASTCs or hospitals*** *will not be included in determining projected patient volume."*
- The Applicants are projecting the majority of its patient base will reside within the 10-mile service area and expects a significant number of its referrals to come from outside the service area.
- The Applicants addressed a total of 23-criteria and failed to meet the following:

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
77 ILAC 1110.120 (b) - Projected Utilization	The Applicants are estimating 2,182 procedures and 1,416 hours (28 minutes per procedure) in the first year of operation, and 4,643 procedures and 2,182 surgical hours in the second year of operation. 98% of the proposed referrals are from an **office-based practice** (Pain and Spine Institute) and by rule were not accepted. Of the 4,643 procedures 4,537 procedures (98%) were not accepted. The State Board standard is 1,500 hours per operating room. The Applicants have not met the requirements of this criterion.
77 ILAC 1110.235 (3) (A) (B) – Service Demand –Establishment of an ASTC Facility **77 ILAC 1110.235 (3) (iv) states** *"Referrals to health care providers other than IDPH-licensed ASTCs or hospitals will not be included in determining projected patient volume."*	In the past 12-months according to the Applicants, the referring physicians have referred 4,852 patients to health care facilities. According to the Applicants, the intent is to refer 4,653 patients to the proposed ASTC, after project completion. Based upon the referring physicians' referral letters, 98% of the proposed referrals are from an office-based practice (Pain and Spine Institute) and by rule were not accepted. There is not sufficient demand to justify the proposed project.
77 ILAC 1110.235 (c) (6) – Service Accessibility	The Applicants are required to meet one of four conditions outlined in rule: 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 2 or more persons, at least one of which operates an existing hospital.* Pain Management surgical service is available within the 10-mile GSA. Board Staff identified 2 ASTCs and 2 hospitals in the service area (Table Four), all but one (Silver Cross Ambulatory Surgery Center) with capacity and the ability to accept the referral patients identified in this application.
77 ILAC 1110.235 (c)(7) – Unnecessary Duplication/Maldistribution	One ASTC (AmSurg Surgery Center) that provides Pain Management services have excess capacity that can accommodate the demand identified by the Applicants. Additionally, the two Hospitals in the service area have capacity that can accommodate this demand proposed by this project. (See Table Four)

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STATE BOARD STAFF REPORT

Project #23-033

Pain & Spine Institute Surgery Center

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	DxTx Pain & Spine, LLC Pain & Spine Institute Surgery Center, LLC
Facility Name	Pain & Spine Institute Surgery Center
Location	756 Essington Road, Unit A, Joliet, Illinois
Permit Holder	Pain & Spine Institute Surgery Center, LLC
Operating Entity/Licensee	Pain & Spine Institute Surgery Center, LLC
Owner of Site	Ostir Construction, LLC
Total GSF	2,500 GSF (1,475 GSF clinical, 1,025 GSF non-clinical)
Application Received	July 20, 2023
Application Deemed Complete	July 31, 2023
Review Period Ends	November 28, 2023
Project Completion Date	December 31, 2025
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

I. Project Description

The Applicants (DxTx Pain & Spine, LLC and Pain & Spine Institute Surgery Center, LLC) propose to establish a single specialty ambulatory surgical treatment center ("ASTC") providing Pain Management services. The facility will be located at 756 Essington Road, Unit A, Joliet, Illinois. The cost of the project is $2,424,699, and the completion date is December 31, 2025.

II. Summary of Findings

A. State Board Staff finds the proposed project is **not** in conformance with the provisions of 77 ILAC 1110 (Part 1110).

B. State Board Staff finds the proposed project is in conformance with the provisions of 77 ILAC 1120 (Part 1120).

III. General Information

The Applicants are DxTx Pain & Spine, LLC, and Pain & Spine Institute Surgery Center, LLC**.** Pain & Spine Institute Surgery Center, LLC is a corporate subsidiary of DxTx Pain & Spine, LLC, per the organizational chart, located on page 37 of the application. The building is owned by Ostir Construction, LLC, and will be landlord to the Applicants. party. The project is a substantive project subject to a Part 1110 and Part 1120 review. Financial commitment will occur after project approval.

IV. Health Service Area

The proposed ASTC will be in the HSA IX Health Service Area. The HSA IX Health Service Area consists of Grundy, Kankakee, Kendall, and Will counties.

V. Project Details

The proposed ASTC will have 1 operating room and three recovery stations and perform pain management procedures exclusively. The facility has been operating as an office-based interventional pain management practice, utilizing a multidisciplinary/multispecialty approach to pain care/pain control. There are two ASTCs in the service area (10 miles), offering pain management services, and both are consistently operating in excess of the Stet Board standard.

VI. Project Uses and Sources of Funds

The project is being funded with cash/securities totaling $1,651,707, the fair market value of leases totaling $707,992, and Other Funds and Sources totaling $65,000. The Applicants identified no estimated start-up costs or operating deficit costs with this project. Itemization of these costs can be found at pages 42-44 of the Application for Permit.

TABLE ONE
Uses and Sources of Funds

Use of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Preplanning Costs	$8,776	$6,099	$14,875	.6%
New Construction Costs	$572,983	$397,997	$970,980	40%
Contingencies	$85,947	$59,700	$145,647	6%
A&E Fees	$69,893	$48,570	$118,463	4.9%
Consulting	$40,000	$28,000	$68,000	2.8%
Movable and Other Equipment	$316,385	$17,357	$333,742	13.8%
FMV of Leased Space	$417,715	$290,277	$707,992	29.2%
Other Costs to be Capitalized*	$59,037	$5,963	$65,000	2.7%
Total	$1,570,736	$853,963	$2,424,699	100.00%
Source of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Cash/Securities	$1,093,984	$557,723	$1,651,707	68.1%
FMV of Leased Space	$417,715	$290,277	$707,992	29.2%
Other Funds and Sources*	$59,037	$5,963	$65,000	2.7%
Total	$1,570,736	$853,963	$2,424,699	100.00%

*Net Book Value of Existing Equipment to be transferred to Pain & Spine Institute Surgery Center

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

A) Criterion 1110.110 (a) – Background of the Applicant
B) Criterion 1110.110 (b) – Purpose of the Project
C) Criterion 1110.110 (c) – Safety Net Impact Statement
D) Criterion 1110.110 (d) - Alternatives to the Project

A) Background of Applicant

The Applicants supplied a listing of one other ASTC owned by the Applicants party (Barrington Ambulatory Surgery Center) and attests that in the last three years prior to filing of this Application for Permit, there has been no "adverse action" against taken against them or any Illinois health care facilities owned and operated by the Applicants. HFSRB and IDPH are hereby authorized by the Applicants to access any documents necessary to verify the information submitted with this application relating to the Applicants, including, but not limited to official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations.

B) Purpose of Project

The Applicants state: *"The Applicants seek to convert its existing physician-office based interventional pain management practice to an Ambulatory Surgery Treatment Center (ASTC). Pain & Spine Institute (PSI) operates a medical practice employing a multidisciplinary, multispecialty approach to pain care to help patients control and minimize their pain. As part of that practice, one of the ancillary services the medical practice provides is interventional pain management. Currently, there are two ASTCs within 10 miles of the planned facility that are approved for pain management, and both continuously operate above the State Board standard. ASTCs play a vital role in ensuring patient access to pain management in a convenient and affordable setting. When performed in ASTCs, both patients and payors save money because surgery centers perform the procedures at a lower cost than hospital outpatient departments (HOPDs). Furthermore, patients often report an enhanced experience at ASTCs compared to HOPDs, in part to easier access to parking, shorter waiting times, and ease of access in and out of the operating rooms."*

C) Safety Net Impact Statement

The Applicants provided the following statement as it relates to Safety Net Impact.
Pain & Spine Institute Surgery Center (PSISC) will not have a material impact on essential safety net services in the community. As documented in the Physician Referral Letters, the procedures to be performed at PSISC are predominately performed in physician offices. No procedures will be transferred to PSISC from existing hospitals and surgery centers withing the geographic service area. The establishment of the ASTC will not impact the ability of other providers or other healthcare facilities to cross-subsidize safety net services. Accordingly, the proposed project will not impact the ability of other providers to cross-subsidize safety net services.

D) Alternatives to the Proposed Project

The Applicants considered three alternatives to the proposed project.

1) Continue to Perform Interventional Pain Management Procedures at PSI/Maintain Status Quo (Costs: None)

While this option involves no funding commitment, it restricts access to facility for physicians outside of the PSI practice. By establishing the ASTC, outside physicians will be able to obtain privileges and treat outside patients at Pain & Spine Institute Surgery Center (PSISC). Pursuit of this alternative would perpetuate access issues in the service area and exacerbate the current staffing shortages that exist in the service area. This option was rejected.

2) Utilize Existing ASTCs and Hospitals (Costs: Unknown)

The Applicants considered this alternative but realized its availability due to overutilization at the existing facilities, that include two area hospitals. The Applicants also note this option would deny the patient population from having access to high quality surgical care, with excellent outcomes, and higher patient satisfaction. These, and lower overall patient costs led the Applicants to reject this alternative.

3) Project as Proposed/Establish and ASTC (Costs: $2,424,699)

The Applicants attest to giving this project, and the requirements of this section significant thought. They determined that the project in its current state provides stability and increased access to pain management services for its existing patient base, and for physicians and patients not utilizing PSISC. In reference to the principle of the Certificate of Need program, the Applicants decided this was their best option.

VIII. Size of the Project and Projected Utilization

A) Criterion 1110.120 (a) - Size of the Project
B) Criterion 1110.120 (b) - Projected Utilization

1) Size of the Project

The Applicants are proposing 1,475 GSF for one operating room and three recovery stations. The State Board Standard is 1,600-2,200 GSF per operating room, and the Applicants have successfully addressed this criterion.

2) Projected Utilization

The Applicants are estimating 2,182 procedures and 1,416 hours (28 minutes per procedure) in the first year, and 4,643 procedures and 2,182 surgical hours in the second year of operation. 98% of the proposed referrals are from an office-based practice (Pain and Spine Institute) and by rule were not accepted. Of these 4,643 procedures 4,537 procedures (98%) were not accepted. There is not sufficient demand to justify the proposed project. The State Board standard is 1,500 hours per operating room. The Applicants have not successfully addressed this criterion.

IX. Non-Hospital Based Ambulatory Surgical Treatment Center Services

77 ILAC 1110.235 (c)(2)(B)(i) & (ii)	−	Service to GSA Residents
77 ILAC 1110.235 (c)(3)(A) & (B) or (C)	−	Service Demand − Establishment
77 ILAC 1110.235 (c)(5)(A) & (B)	−	Treatment Room Need Assessment
77 ILAC 1110.235 (c)(6)	−	Service Accessibility
77 ILAC 1110.235 (c)(7)(A) through (C)	−	Unnecessary Duplication Maldistribution
77 ILAC 1110.235 (c)(8)(A) & (B)	−	Staffing
77 ILAC 1110.235 (c)(9)	−	Charge Commitment
77 ILAC 1110.235 (c)(10)(A) & (B)	−	Assurance

A) (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 Applicants 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 Applicants 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 Applicants 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 established radii for a facility located in Will County is 10-miles per 77 ILAC 1100.510. The Applicants identified 15 zip codes in this 10-mile service area with a population of approximately 376,000 residents. The Applicants supplied patient origin data identifying 4,852 patients originating from 260 zip codes and note that 2,751 (57%) of these patients reside within the 10-mile service area. The Applicants note that a single specialty ASTC will have minimal impact on the patient population in the service area.

3) Service Demand – Establishment of an ASTC Facility or Additional ASTC Service

The Applicants shall document that the proposed project is necessary to accommodate the service demand experienced annually by the Applicants, over the latest 2-year period, as evidenced by historical and projected referrals.

In the past 12-months according to the Applicants, Dr. Samir Sharma M.D., and Dr. John K. Hong M.D. have referred 4,852 patients to the health care facilities listed below. According to the Applicants, the intent is to refer 4,653 patients to the proposed ASTC, after project completion. Based upon Dr. Sharma's and Dr Hong's referral letters, 98% of the proposed referrals are from an office-based practice (Pain and Spine Institute) and by rule were not accepted. There is not sufficient demand to justify the proposed project.

TABLE THREE
Facilities the Applicants have referred cases

Facility	12-Month Historic Referrals	Projected Cases
Oak Brook Surgical Center	62	43
Surgicare of Chicago	17	7
Pain & Spine Institute	4,537	4,537
Advocate Good Samaritan Hospital	23	10
Midwest Center for Day Surgery	25	6
Hinsdale Surgical Center	188	40
Total	4,852	4,643

5) Treatment Room Need Assessment

The Applicants are proposing 1 procedure room at the ASTC, providing interventional pain management services. The Applicants are estimating 4,643 procedures and 2,182 surgical hours in the second year of operation. 4,537 of the 4,643 procedures are from an office-based practice and by rule cannot be accepted. (4,643 procedures – 4,537 procedures = 106 procedures. The Applicants have not justified the single room being proposed.

77 ILAC 1110.235 (3) (iv) states *"Referrals to health care providers other than IDPH-licensed ASTCs or hospitals will not be included in determining projected patient volume."*

6) Service Accessibility

The proposed ASTC services being established or added are necessary to improve access for residents of the GSA. The Applicants 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; and
iv) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

The Applicants propose to establish a single-specialty ASTC with one operating room and three recovery stations. The Applicants are required to meet one of four conditions outlined in rule. Pain Management surgical services are available within the 10-mile GSA, and State Board Staff identified 2 ASTCs and 2 hospitals located within this 10-mile radius. Both Hospitals and the two ASTCs perform Pain Management procedures. Based on the number of operating/procedure rooms in the service area, one ASTC is operating above the State Board's target utilization. The two hospitals and AmSurg Surgery Center are operating below the 80% target utilization. Finally, this project is not a cooperative venture with a hospital. The Applicants have not met the requirements of this criterion.

TABLE FOUR
Facilities within 10-mile GSA

Name	City/Distance	Operating Rooms/Total Rooms	Total Surgical Hours	Utilization %
AmSurg Surgery Center*	Joliet/8 mi.	**4/7**	**6,070**	**46.25%**
Presence St Joseph Medical Center	Joliet/2 mi.	**14/19**	**21,556**	**60.51%**
Silver Cross Ambulatory Surgery Center*	New Lenox/10 mi.	**4/4**	**10,183**	**136.00%**
Silver Cross Hospital/Medical Center*	New Lenox/10 mi.	**14/21**	**30,004**	**76.20%**
Total		**51**	**67,813**	**70.92**

TABLE FOUR Facilities within 10-mile GSA				
Name	**City/Distance**	**Operating Rooms/Total Rooms**	**Total Surgical Hours**	**Utilization %**
State Standard for ASTCs: 1,500 hrs. per room or 80%. Data taken from IDPH 2022 Hospital and ASTC Survey *Provides Pain Management services Hours for AmSurg Surgery Center were estimated for gastro and laser eye based upon the State Average for 2021.				

7) Unnecessary Duplication/Maldistribution

A) The Applicants shall document that the project will not result in an unnecessary duplication. The Applicants 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 Applicants 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 Applicants 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.

Maldistribution-10 Mile GSA

There are 86 operating/procedure rooms in the 10-mile GSA and a population of 376,232 residents. The ratio of operating procedure rooms to population in the 10-mile GSA is 1 station per 4,374 residents. There are approximately 12.67 million residents in the State of Illinois and a total of 2,604 operating procedure rooms in the State of Illinois. The ratio of operating procedure rooms to population in State of Illinois is 1 per 4,866 residents. There appears to be a surplus of operating/procedure rooms in the 10-mile GSA.

Duplication

The two ASTCs and the two hospitals in the service area provide pain management services, and all four facilities are not operating at or above the State standard (See Table Four). The Applicants initially identified 5 facilities within the defined 10-mile radius and used the number of procedure rooms as the sole determinant of service need. However,

Board Staff discovered only four facilities in the service area and used the total number of operating rooms (OR), and procedure rooms to determine the surplus of operating rooms/procedure rooms in the planning area.

8) Staffing

The Applicants 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 Applicants 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.

According to the Applicants, Dr. Samir Sharma M.D. will serve as Medical Director for the proposed ASTC. The Applicants do not anticipate having any difficulty in staffing the proposed ASTC. As needed additional staff will be identified and employed utilizing existing job search sites and professional placement services.

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 Applicants 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).

The Applicants provided a fee schedule of the services offered through the ASTC, and the necessary attestation as required by this criterion at page 82 of the Application for Permit.

10) Assurances

A) The Applicants 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 Applicants 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 Applicants provided the necessary attestation as required by this criterion at page 83 of the Application for Permit.

X. Financial Viability

A) Criterion 1120.120 – Availability of Funds

B) Criterion 1120.130 – Financial Viability

The Applicants must demonstrate that it has sufficient funds available for capital and operating costs necessary to support the proposed project. The project is being funded with $1,651,707 in cash, the fair market value of a lease in the amount of $707,992 and other funds and sources totaling $65,000 for a total cost of $2,424,699. The Applicants provided a letter from JP Morgan Chase Bank that shows a checking account balance of $2,282,464.88, as of May 4, 2023, for VBC SPINE OPCO LLC. VBC OpCo is currently the sole member/owner of Pain & Spine Surgery Center, LLC and may provide consulting services to the surgery center. There are no estimated start-up costs or operating deficit costs. The Applicants did provide a Proforma income statement providing the data contained in Table Six below.

TABLE SIX
Pro Forma Statement
Pain & Spine Institute Surgery Center

CPT Category	Year 1	Year 2	Year 3	Year 4	Year 5
Total Revenue	$2,401,894	$2,548,169	$2,703,353	$2,867,987	$3,042,647
Implant Costs	$769,800	$792,894	$816,681	$841,181	$866,417
Additional Cost of Revenue	$190,957	$226,374	$264,660	$306,013	$350,642
Gross Profit	**$1,441,136**	**$1,528,901**	**$1,622,012**	**$1,720,792**	**$1,825,588**
% Margin	**60%**	**60%**	**60%**	**60%**	**60%**
Operating Expenses	$944,326	$1,001,836	$1,062,847	$1,127,575	$1,196,244
Operating Income	$496,810	$527,066	$559,164	$593,217	$629,344
Net Income	**$496,810**	**$527,066**	**$559,164**	**$593,217**	**$629,344**
% Margin	**20.7%**	**20.7%**	**20.7%**	**20.7%**	**20.7%**

XI. Economic Feasibility

A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangements

B) Criterion 1120.140 (b) - Conditions of Debt Financing

The State Board considers leasing as debt financing. The Applicants provided a non-binding Letter of Intent to lease approximately 2,500 GSF for the proposed ASTC from Ostir Construction L.L.C. The lease terms appear reasonable. The terms of the lease are as follows:

TABLE SEVEN
Terms of Lease

Lessee	Pain & Spine Institute Surgery Center, LLC
Lessor	Ostir Construction, LLC
Term	123 Months (10 years, 3 months)
Rent	$60,000 annually with 3% increase annually

C) Criterion1120.140 (c) – Reasonableness of Project Costs

The Applicants are proposing to operate a single specialty ASTC containing 1 Operating/Procedure room, and 3 recovery stations. The total spatial configuration consists of 2,500 GSF of space (1,475 GSF clinical/1,025 GSF non-clinical). Only clinical space is considered in relation to this criterion.

Preplanning Costs are $8,776, and are less than 1% of new construction, contingencies, and equipment costs ($975,315). This appears reasonable to the State Standard of 1.8%.

New Construction Costs and Contingency Costs are $658,930 or $446.73 per GSF. This appears reasonable when compared to the State Board Standard of $466.97 per GSF.

Contingency Costs are $59,902 and are 10% of the new construction costs ($599,028). This appears reasonable when compared to the State Board Standard of 10%.

Architectural & Engineering Fees are $69,893 and are 10.6% of new construction and contingency costs ($658,930). This appears reasonable when compared to the State Board Standard of 8.21% - 12.33%

Movable and Other Equipment are $316,385 for the one procedure room. This cost appears reasonable when compared to the State Board Standard of $535,157 per room.

The State Board does not have a standard for the following costs:

Consulting	$40,000
FMV of Leased Space	$417,715
Other Costs to be Capitalized*	$59,037
*Net book value of existing equipment to be transferred to the ASTC upon project completion	

D) Criterion 1120.140 (d) – Direct Operating Costs

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

The State Board does not have a standard for these costs for a proposed ASTC.

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