



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-02	BOARD MEETING: March 12, 2024	PROJECT NO: 22-034	PROJECT COST:
FACILITY NAME: Chicago Children's Surgery Center		CITY: Chicago	Original: \$9,203,845
TYPE OF PROJECT: Substantive			HSA: VI

PROJECT DESCRIPTION: The Applicants (Chicago Children's Surgery Center LLC, New Core Healthcare, LLC, and NCH Growth Partners, LLC) proposes to establish an ASTC providing pediatric general dentistry surgery, and Oral/Maxillofacial surgical services in 14,610 GSF of space at a cost of \$9,203,845. The anticipated completion date is July 1, 2025.

Information regarding this project can be found at this link:

<https://hfsrb.illinois.gov/projects/project.23-034.html>

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Chicago Children's Surgery Center LLC, New Core Healthcare, LLC, and NCH Growth Partners, LLC) propose to establish an ASTC providing pediatric general dentistry and Oral/Maxillofacial surgical services in 14,610 GSF of space at a cost of \$9,203,845. The anticipated completion date is July 1, 2025.
- Chicago Surgery Center will be an ASTC that provides oral/maxillofacial surgical procedures for children and special needs patients of all ages under general anesthesia in a hospital-grade operating room.
- New Core Healthcare LLC is a for-profit business founded to help change health care in the U.S. and is designed to save State Medicaid and private insurance companies money across the country by shifting oral/maxillofacial care out of hospitals and into high-efficiency ASTCs. New Core is a Delaware corporation that currently owns and operates two surgery centers, The Dental Surgery Center of DC, and Baltimore Surgery Center, LLC.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The proposed project is before the State Board because it proposes to establish a health care facility as required by 20 ILCS 3920/3.

PUBLIC HEARING/COMMENT:

- A public hearing was offered, no hearing was requested. Three letters of support and no opposition letters were received by the State Board.

SUMMARY:

- The Applicants believe that the Proposed Project will save State Medicaid and private insurance companies money, deliver much-needed oral/maxillofacial surgical services to a pediatric/special needs patient population, and address a shortage in medically complex dental services in HSA-VI, and throughout the State. The Applicants are estimating 85% of their patients will be Medicaid patients and 80% of the ASTC's revenue will come from Medicaid.
- The State Board Staff was unable to determine **demand** for this project because no physician referral letters were provided by the Applicants. The Board Staff also found the estimate of Medicaid patients (85% of the patients) for a for-profit ASTC in Illinois as not believable. ASTC's in Illinois average approximately 4% Medicaid patients and approximately 2% Medicaid Revenue.
- The 10-mile radius surrounding the proposed facility contains twelve hospitals (two operating above the State standard), and eight ASTCs (three operating above the State standard). (See Table Three)
- The Applicants are projecting 2,200 cases in the first full year of operation, and 2,420 cases by year two, exceeding the State standard for an ASTC containing one operating/procedure room. Of these cases, none are referrals from the Applicants to IDPH-licensed facilities. However, the Applicants predict the lack of services and overwhelming need in the planning area and State will justify the one operating room being requested.
- Of the twenty-two criteria the Applicant has not met the following:

Criteria	Reasons for Non-Compliance
77 ILAC 1110.120 (a) - Project Size	The Applicants propose to establish one operating room with the requisite number of recovery stations. The State Board Standard for this project is 2,750 GSF per room. The Applicants propose to utilize 4,400 GSF of space for their one operating room.

Criteria	Reasons for Non-Compliance
77 ILAC 1110.120 (b) – Projected Utilization	The Applicants are projecting 2,200 cases in the first year of operation, followed by a second year serving 2,420 patients. Estimates from the Applicants two existing facilities have procedures lasting 60 to 90 minutes, which exceed the minimum standard for utilization of one operating/procedure room. Board Staff notes the Applicants did not supply referral letters from IDPH licensed facilities in the area and arrived at the utilization projections using data gathered during from the other two facilities (The Dental Surgery Center of DC, and Baltimore Surgery Center, LLC.) under similar service models/conditions. Without the physician referral letters the State Board Staff could not determine the projected service utilization and justification for the one operating room being proposed.
77 ILAC 1110.235 (c) (2) – Service to GSA Residents	The Applicants did not supply physician referral letters with historical referral data ascertaining that 50% of its patient base originated from within the 10-mile GSA.
77 ILAC 1110.235 (c) (3) - Service Demand – Establishment of an ASTC Facility or Additional ASTC Service	The Applicants did not supply physician referral letters with referral data that confirms these patients were treated at IDPH-licensed facilities. Because of the lack of referral data, the State Board Staff was unable to determine the service demand for the proposed project.
77 ILAC 1110.235 (c) – Treatment Room Need Assessment	The Applicants could not justify the one room being proposed.
77 ILAC 1110.235 (c) (7) – Unnecessary Duplication/Maldistribution/Impact on Other Facilities	There are eight ASTCs and twelve hospitals in this 10-mile GSA, with only two hospitals and three ASTCs reporting utilization in excess or equal to the State standard (See Table Three). There is existing capacity in the GSA that can accommodate the demand identified by the Applicant.
77 ILAC 1120.140 (c) – Reasonableness of Project Costs	The Applicants report new construction costs of \$509.09 per GSF. This exceeds the State standard of \$446.96 per GSF.



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STATE BOARD STAFF REPORT

Project #23-034

Chicago Children's Surgery Center

APPLICATION/ CHRONOLOGY/SUMMARY	
Applicants(s)	Chicago Children's Surgery Center, LLC New Core Healthcare, LLC NCH Growth Partners, LLC
Facility Name	Chicago Children's Surgery Center
Location	8658 South Sacramento Avenue, Chicago
Permit Holder	Chicago Children's Surgery Center, LLC
Operating Entity/Licensee	NCH Growth Partners, LLC
Owner of Site	UIRC-Chicago, LLC
Proposed Gross Square Feet	14,610 GSF
Application Received	August 1, 2023
Application Deemed Complete	August 8, 2023
Anticipated Completion Date	July 1, 2025
Review Period Ends	December 6, 2023
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

I. Project Description

The Applicants (Chicago Children's Surgery Center, LLC, New Core Healthcare, LLC, and NCH Growth Partners, LLC) propose to establish a limited specialty ASTC providing general dentistry, oral, and maxillofacial surgical services in 14,610 GSF of space at a cost of \$9,203,845. The anticipated completion date is July 1, 2025.

II. Summary of Findings

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

III. General Information

The Applicants are Chicago Children's Surgery Center, LLC, NCH Growth Partners, LLC, and New Core Healthcare, LLC. New Core Healthcare, LLC is a Delaware-based limited-liability corporation, serving as the parent company. NCH Growth Partners is a Delaware-based limited liability corporation, having 100% ownership interest in the Licensee, Chicago Children's Surgery Center, LLC. Chicago Children's Surgery Center, LLC, is a newly formed Illinois limited liability corporation, with no ownership interest in any Illinois facilities. New Core Healthcare, LLC owns and operates two other ASTCs, providing similar services in the District of Columbia and Baltimore, Maryland. Financial commitment will occur after permit issuance.

IV. Health Service Area

The ASTC will be in the HSA VI Health Service Area. This service area consists of the City of Chicago/Cook County. There are 22 ASTCs and 36 Hospitals in this service area.

V. Project Details

The proposed Surgery Center will be established in 14,610 GSF of leased space (4,400 GSF clinical/10,210 GSF non-clinical), located at 8658 south Sacramento Avenue, Chicago. The limited-specialty ASTC will contain one operating room (OR) and will serve pediatric and special needs patients exclusively. The proposed ASTC will offer general dentistry, oral, and maxillofacial surgical procedures, utilizing sedation surgical techniques, and will introduce an outpatient surgical service not offered in the service area.

VI. Project Costs and Sources of Funds

The Applicants are funding this project with cash/securities totaling \$3,477,145, the fair market value of a lease of \$4,133,300, and other funds and sources totaling \$1,593,400. Estimated start-up costs are \$1,086,898.

TABLE ONE				
Uses and Sources of Funds				
Uses of Funds	Reviewable	Non-reviewable	Total	% Of Total
Site Preparation	\$69,388	\$161,012	\$230,400	2.5%
New Construction Contracts	\$2,240,000	\$960,000	\$3,200,000	34.7%
Contingencies	\$154,798	\$359,202	\$514,000	5.6%
Architectural and Engineering Fees	\$81,531	\$189,189	\$270,720	2.9%
Consulting and Other Fees	\$280,000	\$120,000	\$400,000	4.4%
Movable Equipment	\$318,798	\$136,628	\$455,425	4.9%
FMV of Lease	\$1,244,799	\$2,888,501	\$4,133,300	45%
Total	\$4,389,314	\$4,814,531	\$9,203,845	100.00%
Source of Funds				
Cash & Securities	\$2,664,641	\$812,504	\$3,477,145	37.7%
Leases (FMV)	\$1,244,799	\$2,888,501	\$4,133,300	45%
Other Funds and Sources	\$479,874	\$1,113,526	\$1,593,400	17.3%
TOTAL	\$4,389,314	\$4,814,531	\$9,203,845	100.00%

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

A) Criterion 1110.110(a) - Background of the Applicant

To address this criterion the applicants must provide a list of all facilities currently owned in the State of Illinois and an attestation documenting that no adverse actions¹ have been taken against any applicant's facility by either Medicare or Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of the Application with the Illinois Health Facilities and Services Review Board or a certified listing of adverse action taken against any applicant's facility; and authorization to the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of the application for permit.

The Applicant has furnished authorization allowing the State Board and IDPH access to all information to verify information in the application for permit. The Applicant attests that no adverse actions have been taken against any facility owned and/or operated by them during the three (3) years prior to the filing of this application. Evidence of ownership of the site has been provided as required. A Certificate of Good Standing has been provided for the Applicant as required. The Applicant provided evidence that they followed Executive Order #2006-05 and provided the required letter from the Department of Natural Resources.

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

To demonstrate compliance with this criterion the Applicants must document that the project will provide health services that improve the health care or well-being of the market area population to be served. The Applicants shall define the planning area or market area, or other area, per the applicant's definition. The Applicants shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project.

The Applicant states:

“Chicago Children’s Surgery Center (CCSC) seeks to address the urgent shortage of medically complex dental services in HSA Region 6 and throughout Illinois. By establishing an ambulatory surgery treatment center (ASTC) with one operating room and focused on Dental and Oral/Maxillofacial procedures, the Metropolitan Chicago area will finally have an alternative for complex pediatric dental patients who otherwise resort to hospital emergency rooms. The Applicants have experience developing similar projects in other states and began planning for a Chicago-area facility over the last several months. The Applicants learned that Illinois and the Chicagoland region have the same access issues that they saw in Baltimore and District of Columbia. The Applicants learned from Regulators that often pediatric dental patients and adults with special needs who are reliant upon Medicaid as the insurance or, have no insurance at all, have literally zero access to outpatient dental procedures and often end up in emergency rooms or, if they are among the most fortunate, are able to be treated at area dental schools. This is the exact problem that CCSC seeks to address because this vulnerable patient population should have access to this necessary care.”

¹ “Adverse action is defined as a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations.” (77 IAC 1130.140)

A detailed discussion of the purpose of the project and the need for an additional ASTC in the 10-mile GSA is provided at pages 53-169 of the Application for Permit.

C) Criterion 1110.110 (c) Safety Net Impact

All health care facilities, except for skilled and intermediate long-term care facilities licensed under the Nursing Home Care Act, shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]

The Applicants provided the following:

“Chicago Children’s Surgery Center LLC is a new entity and has no applicable historical data for this section of the application. However, it is anticipated that the proposed facility will not have a material impact on essential safety net services in the community. New Core Healthcare, LLC, the sole owner of CCSC long maintained a commitment to serving patients regardless of their ability to pay. This facility is designed to not only accept Medicaid but to be a destination for Medicaid and low-income patients in need of this necessary care. This is significant because the commitment to a Medicaid population is a substantial basis to justify the need for this facility. The Applicants have undertaken a robust community engagement effort and scheduled meetings with representatives of the Illinois Medicaid Program to discuss their intentions and received positive feedback on their proposed business plan and intent to increase access in the community. The Applicants have also made efforts to reach out to area dental schools who are often last resort for patients in need of care and unable to find it at area ASTCs. Too often, area ASTCs do not accept Medicaid because of the lower reimbursement from Medicaid, as compared to private insurance. However, a significant percentage of this patient population is reliant upon Medicaid for its primary or secondary insurance, and for those patients, access to care can be a significant challenge. The commitment to participation in Medicaid, including the various Medicaid managed care plans, is an important part of the expansion of safety net services that will be accomplished by this project’s approval.”

TABLE TWO		
Patient Mix by Payor Source		
Payor Type	Estimated % of Patients by Payor Source	Expected Revenue by Payor Source
Commercial	15%	20%
Medicare	0%	0%
Medicaid/Medicaid/MCO	85%	80%

D) Criterion 1110.110 (d) - Alternatives to the Proposed 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 two alternatives to the proposed project.

1. Maintain Status Quo.

According to the Applicants, this alternative was rejected due to its inability to address a need for dental and oral/maxillofacial surgical care, for children and special needs patients requiring specialized dentistry care. Currently, the ability to obtain the level of care proposed by the Applicants is virtually non-existent, and patient access is often delayed to a point of emergent need and requiring inpatient care at an acute care hospital. The absence of this care in the region would be perpetuated by this alternative. The Applicants identified no costs with this alternative.

2. Utilization of Existing Facilities.

According to the Applicants, there are significant issues with this option, issues involving lack of adequate staffing, lack of necessary equipment/technology, and hospitals/ASTCs that have distanced themselves from the provision of this level of care. The patient population identified for this level of care (children, special needs patients, Medicaid recipients), is vulnerable in terms of accessibility, with ever present obstacles in terms of service availability and an ongoing commitment to care from providers and health systems. The Applicants envision a Medicaid patient population that exceeds 80%, which is a level that existing surgery centers and hospitals are reluctant to assume. There were no costs identified with this alternative, and this alternative was rejected.

3. Project as Proposed

According to the Applicants, this project is novel to Illinois but not a novel concept of care. The model proposed has resulted in a sustainable avenue for dental/oral/maxillofacial care, allowing meaningful access to necessary services for at risk populations that are often deprioritized and/or overlooked. The Applicants have reported successful patient outcomes at its facilities in Baltimore, Maryland, and the District of Columbia, and is proposing equally measured success in Chicago and the State of Illinois. Identified cost of this alternative: \$9,203,845.

VI. Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110. 120 (a) - Size of Project

To demonstrate compliance with this criterion the Applicants must document that that the physical space proposed for the project is necessary and appropriate. The proposed square footage cannot deviate from the square footage range indicated in Appendix B or exceed the square footage standard in Appendix B if the standard is a single number, unless square footage can be justified by documenting, as described in subsection (a)(2).

The Applicant is proposing one operating room with requisite recovery stations in 4,400 GSF of space. The State Board Standard for operating rooms is 2,750 GSF per room. The Applicants have not met the requirements of this criterion.

B) Criterion 1110.120(b) - Project Services Utilization

To demonstrate compliance with this criterion the Applicants must document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of years projected shall not exceed the number of historical years documented. All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit, except where noted in 77 Ill. Adm. Code 1100. [Part 1110 Appendix B]

The Applicants are projecting 2,200 cases in the first year of operation, followed by a second year serving 2,420 patients. Estimates from the Applicants two existing facilities have procedures lasting 60 to 90 minutes, which exceed the minimum standard for utilization of one operating/procedure room. Board Staff notes the Applicants did not supply referral letters from IDPH licensed facilities in the area and arrived at the utilization projections using data gathered during from the other two facilities, under similar service models/conditions. Without the physician referral letters the State Board staff could determine the projected service utilization and justification for the two operating rooms being proposed.

VII. Non-Hospital Based Ambulatory Surgical Treatment Center Services

A) Criterion 1110.235 (c)(2) - Geographic Service Area Need

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.

This criterion is not applicable.

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 geographic service area (GSA) for a facility located in Chicago is a 10-mile radius (77 ILAC 1100.510 (d)). The Applicants identified 34 zip codes and a population of approximately 1.4 million residents (application, p. 178). The Applicants did not supply physician referral data to support the patient origin requirements of this criterion. The Applicant has not met the requirements this criterion.

B) Criterion 1110.235 (c) (3) - Service Demand – Establishment of an ASTC Facility or Additional ASTC Service

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 Applicants did not provide physician referral letters identifying historical referrals from physicians using IDPH-licensed facilities. The Applicants have not met the requirements of this criterion.

C) Criterion 1110.235 (c) (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 are projecting 2,200 cases in the first full year of operation. The Applicants did not supply physician referral letters confirming patient origin/location of service. The Applicant has not met the requirements of this criterion.

D) Criterion 1110.235 (c) (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; and

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

A) There are eight ASTCs and twelve hospitals in the 10-mile GSA.

B) Not all the hospital and ASTCs providing the surgical services proposed by this application are at target utilization.

C) The services being proposed by this project are not available in the 10-mile GSA.

D) The proposed project is not a joint venture.

There are no other ASTCs or Hospitals in this 10 mile-GSA that offer general dentistry or oral/maxillofacial surgical services (see Table Three). The Applicant has met the requirements of this criterion.

E) Criterion 1110.235 (c) (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.*

The population within the 10-mile GSA is 1,372,304. The number of operating/procedure rooms is 206 rooms. The ratio of operating/procedure rooms per thousand population in this 10-mile GSA is 1 station per every 6,662 inhabitants. There are approximately 12.58 million residents in the State of Illinois and a total of 2,599 operating procedure rooms in the State of Illinois. The ratio of operating procedure rooms to population in State of Illinois is 1 per every 4,841 inhabitants. When compared to the State of Illinois ratio there is not surplus of operating/procedure rooms in the 10-mile GSA.

There are eight ASTCs and twelve hospitals in this 10-mile GSA. Of the eight ASTCs, three are at or above the State standard of 1,500 hours per room. Of the 12 hospitals identified, two are at or above the standard. There is existing capacity in the GSA that can accommodate the demand identified by the Applicant.

TABLE THREE				
Facilities within the 10-GSA ^{(1) (2)}				
Hospital	City	OR/Procedure Rooms	Total Hours	Met Standard?
Little Company of Mary	Evergreen Park	10/4	12,131	No
Advocate Christ Hospital	Oak Lawn	40/10	70,792	No
Holy Cross Hospital	Chicago	2/10	1,328	No
St. Bernard Hospital	Chicago	6/10	2,983	No
Roseland Community Hospital	Chicago	8/1	385	No
Jackson Park Hospital	Chicago	6/1	540	No
South Shore Hospital	Chicago	0/1	846	Yes

TABLE THREE Facilities within the 10-GSA ⁽¹⁾(2)				
Hospital	City	OR/Procedure Rooms	Total Hours	Met Standard?
University of Chicago Hospital	Chicago	37/15	530,203	Yes
Palos Community Hospital	Palos Heights	14/5	24,784	No
Advocate Trinity Hospital	Chicago	6/5	7,656	No
Provident Hospital Cook County	Chicago	10/2	3,960	No
St Anthony Hospital	Chicago	0/0	0	N/A
Total		182	655,608	
ASTC	City/Distance	OR/Procedure Rooms	Total Hours	Utilization %
Premiere Cardiac Surgery Center*	Merrionette Park	0/1	833	Yes
Southwestern Medical Center	Bedford Park	3/0	2,590	No
Novamed Ctr. For Reconstructive Surgery	Chicago	1/1	968	No
Oak Lawn Endoscopy	Oak Lawn	0/2	4,126	Yes
Vascular Access Center of Illinois*	Chicago	0/3	1,006	No
Palos Hills Surgery Center	Palos Hills	4/0	4,611	Yes
Palos Surgicenter	Palos Heights	3/2	2,998	No
Forest Medical Surgery Center	Justice	2/2	920	No
Total		24	18,052	
1. 2022 ASTC and Hospital Survey Information. *Single/Limited Specialty				

F) Criterion 1110.235 (c) (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 stated the facility will appoint, Dr. Joseph Field, M.D. who is a licensed Dentist as Medical Director for the facility. According to the Applicant they have not traditionally had any difficulties in staffing their existing offices nor do they anticipate difficult in staffing the proposed ASTC. According to the Applicant, additional staff if needed will be identified and employed utilizing existing job search sites and professional placement services.

G) Criterion 1110.235 (c) (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).*

A list of the proposed procedures to be performed at the Applicant's facility has been provided along with the charges for such procedures (pages 190-212 of the Application for Permit). The Applicants attest 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) has been submitted.

H) Criterion 1110.235 (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 Applicant provided the necessary information at pages 213 of the Application for Permit.

VIII. **Financial Viability and Economic Feasibility**

A) Criterion 1120.120 – Availability of Funds

The Applicants are funding this project with cash/securities totaling \$3,477,145, fair market value of leases totaling \$4,133,300, and a tenant improvement allowance of \$1,593,845 (other funds/sources). The estimated start-up costs are \$1,086,898. Based upon the information provided in the Application for Permit sufficient funds are available to fund this project.

B) Criterion 1120.130 – Financial Viability

The Applicant does not qualify for the financial waiver.

Financial Viability Waiver

The applicant is NOT required to submit financial viability ratios if:

1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or

HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.

2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA) or its equivalent; or

HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.

3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

Chicago Children's Surgery Center, LLC is a new entity, and no historical data is available. The Applicant provided a financial balance sheet for Chicago Children's Surgery Center for years 2024, 2025, and 2026 (See Table Four) and projected financial viability data for Year 2026, the first full year after project completion (See Table Five). The projected financial information meets all the State Boards' Standards for an ASTC. (See Application for Permit page 216). The application contains a letter from Jeffrey Wheeler, CEO, NCH Growth Partners, LLC (application, p. 215), attesting to financial commitment that his entity, and the parent entity, New Core Healthcare, LLC, have made in the support and development of the ASTC, and asks that the State Board consider this letter as a binding commitment to their funding of this project.

TABLE FOUR Financial Balance Sheet Chicago Children's Surgery Center			
	2024	2025	2026
Current Assets	\$372,778	\$857,310	\$1,413,298
Fixed Assets	\$3,197,945	\$2,918,746	\$2,639,546
Other Assets	\$19,918	\$19,918	\$19,918
Total Assets	\$3,590,640	\$3,795,974	\$4,072,762
Current Liabilities	(\$200,162)	(\$217,279)	(\$246,334)
Liabilities & Stockholder Equity	\$3,590,640	\$3,795,974	\$4,072,762
Net Revenue	\$2,912,700	\$3,155,425	\$3,398,150
Gross Profit	\$1,277,700	\$1,373,066	\$1,500,983
Total G&A Expenses	(\$1,086,898)	(\$1,150,616)	(\$1,195,139)
Net Income/Net Profit Margin	\$190,802 / 6.6%	\$222,451 / 7.0%	\$305,843 / 9.0%

TABLE FIVE Financial Viability Ratios		
Financial Viability Ratio	State Standard	2026
Current Ratios	≥1.5	5.74
Net Margin %	≥3.5	9.0%
Long Term Debt/Capitalization	≤80%	0.00%
Projected Debt Service	≥1.75	N/A
Days Cash on Hand	≥45 days	59.06
Cushion Ratio	≥3.0	N/A

A) Criterion 1130.140 (a) – Reasonableness of Financing Arrangements
Criterion 1120.140 (b) - Terms of Debt Financing

The Applicants are funding the project in its entirety with cash and securities (\$3,477,145), fair market value of the building lease (\$4,133,300), and a tenant improvement allowance (\$1,593,400). The State Board considers operating leases² debt financing. The Applicants provided a copy of the lease with UIRC-Chicago, LLC (application, pgs. 30-34).

² The leasing of the building allows the ASTC to retain capital for other needs. The building lease is a triple net (NNN). A triple net lease designates the lessee (the tenant) as being solely responsible for all the costs relating to the facility being leased in addition to the rent schedule applied under the lease. The structure of this type of lease requires the lessee to pay for net real estate taxes on the leased asset, net building insurance and net common area maintenance. The lessee must pay the net amount of three types of costs.

C. Criterion 1120.140 (c) – Reasonableness of Project Costs

The applicant shall document that the estimated project costs are reasonable.

The Applicants propose to establish a one-room Ambulatory Surgery Treatment Center (ASTC), in 14,610 GSF of space (4,400 GSF clinical/10,210 GSF non-clinical). Only clinical spatial considerations are used in determining compliance with this criterion.

Site Preparation costs are \$69,388 and are 2.3% of the new construction, contingency, costs of \$2,394,798. This appears reasonable when compared to the State Board Standard of 5%.

New Construction Costs costs are \$2,240,000 and are \$509.09 GSF ($\$2,240,000/4,400 = \509.09). This appears high when compared to the State Board Standard of \$446.96 per GSF.

Contingency costs are \$154,798 or 6.91% of new construction cost (\$2,240,000). This is reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees are \$81,531 or 3.4% of new construction and contingency costs (\$2,394,798). This appears reasonable when compared to the Board Standard of 10.59-15.89%.

Movable or Other Equipment costs not in construction contracts are \$318,798 per operating room. This appears reasonable when compared to the State Board Standard of \$535,157.2

The State Board does not have standards for these costs:

Consulting and Other Fees	\$280,000
FMV of Lease	\$1,244,799

C) Criterion 1120.140 (d) – Direct Operating Costs

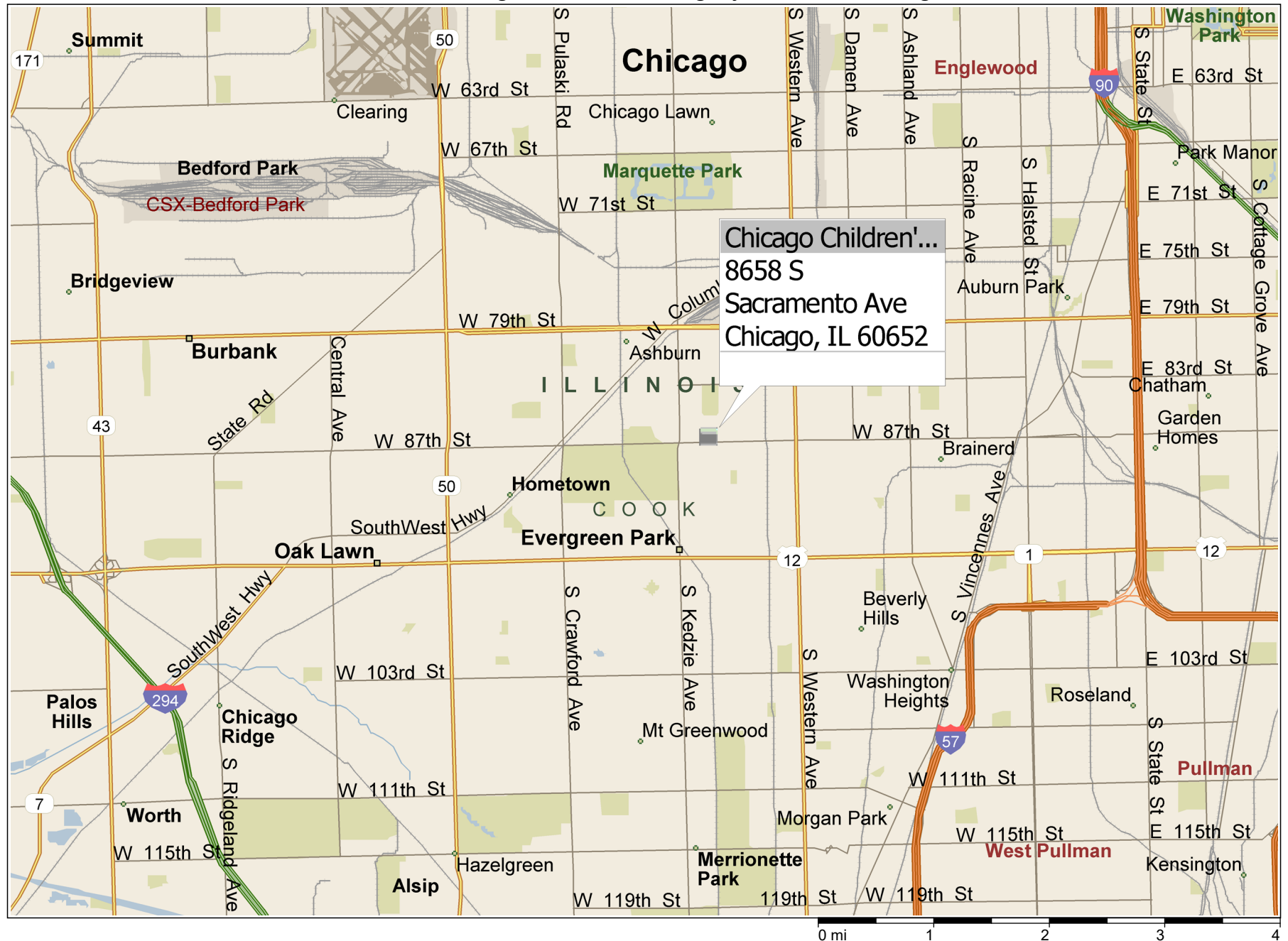
D) Criterion 1120.140 (e) – Total Effect of the Project on Capital Costs

The State Board does not have standards for these two criteria for ASTCs.

TABLE FIVE Pro Forma Income Statement						
	Year 1		Year 2		Year 3	
Charges	\$4,132,037	% Of Net Revenue	\$4,338,639	% Of Net Revenue	\$4,555,571	% Of Net Revenue
Deductions	-\$1,652,815		-\$1,735,456		-\$1,822,228	
Net Revenue	\$2,479,222		\$2,603,183		\$2,733,343	
Salaries	\$328,275	13.24%	\$338,123	13.64%	\$348,267	14.05%
Bond Expense	\$0		\$0		\$0	
Repairs and Maintenance	\$37,826	1.53%	\$38,960	1.57%	\$40,129	1.62%
Management Fees	\$157,530	6.35%	\$162,256	6.54%	\$167,124	6.74%
Surgical Supplies	\$239,929	9.68%	\$247,127	9.97%	\$254,541	10.27%
Utilities	\$17,500	0.71%	\$18,025	0.73%	\$18,566	0.75%
Rent Expense	\$286,695	11.56%	\$286,695	11.56%	\$286,695	11.56%
Professional Fees	\$143,317	5.78%	\$147,616	5.95%	\$152,045	6.13%
Insurance	\$25,000	1.01%	\$25,750	1.04%	\$26,523	1.07%
Depreciation	\$179,612	7.24%	\$179,612	7.24%	\$179,612	7.24%
Employee Benefits	\$66,206	2.67%	\$68,192	2.75%	\$70,238	2.83%
General Admin	\$42,790	1.73%	\$44,073	1.78%	\$45,398	1.83%
Taxes and Licenses	\$91,345	3.68%	\$94,085	3.79%	\$96,908	3.91%
Interest Expense and Loan	\$400,912	16.17%	\$400,912	16.17%	\$400,912	16.17%
Bad Debt Expense	\$44,634	1.80%	\$78,095	3.15%	\$82,000	3.31%
Other Expense	\$25,000	1.01%	\$25,000	1.01%	\$25,000	1.01%
Total Exp	\$2,086,570	84.16%	\$2,154,523	86.90%	\$2,193,954	88.49%
	\$392,652	15.84%	\$448,660	18.10%	\$539,389	21.76%

TABLE SIX Pro Forma Balance Sheet			
	Year 1	Year 2	Year 3
Cash	\$350,000	\$572,264	\$1,200,536
Acct Rec	\$2,479,222	\$2,603,183	\$2,733,342
Current Assets	\$2,829,222	\$3,175,447	\$3,933,878
Building	\$3,085,358	\$3,085,358	\$3,085,358
Furniture & Equipment	\$1,005,000	\$1,005,000	\$1,005,000
Depreciation	-\$179,612	-\$359,223	-\$538,835
Total Fixed Assets	\$3,910,746	\$3,731,135	\$3,551,523
Total Liabilities	\$6,739,968	\$6,906,582	\$7,485,401
Current Liabilities	\$1,881,958	\$1,974,911	\$2,014,342
Long Term Liabilities	\$3,823,872	\$3,422,960	\$3,022,049
Total Liabilities	\$5,705,830	\$5,397,871	\$5,036,391
Capital	\$1,034,138	\$1,508,710	\$2,449,011
Liabilities and Capital	\$6,739,968	\$6,906,582	\$7,485,401

23-034 Chicago Children's Surgery Center - Chicago



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