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-03	BOARD MEETING: March 12, 2024	PROJECT NO: 23-036	PROJECT COST: Original: $5,206,120
FACILITY NAME: NANI Vascular North ASC		CITY: Addison	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (NANI Vascular North ASC, LLC, and Nephrology Associates of Northern Illinois, LTD) are proposing to establish a single specialty ambulatory surgical treatment facility (ASTC) in Addison at a cost of $5,206,120. The project completion date as stated in the application is July 1, 2025.

Information regarding this project can be found at this link:
https://hfsrb.illinois.gov/projects/project.23-036-nani-vascular-north-asc-addison.html

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (NANI Vascular North ASC, LLC, and Nephrology Associates of Northern Illinois, LTD) are proposing to establish a single specialty ambulatory surgical treatment (ASTC) facility at 2055 Army Trail Road, Addison. The project cost is $3,794,239. The project completion date as stated in the application is July 1, 2025.
- The proposed facility will be a single-specialty ASTC with two (2) operating rooms and focus on vascular access establishment/maintenance for ESRD patients, with other minimally invasive procedures.
- The proposed project was formerly approved by the State Board in April of 2018 as Permit #17-072, Illinois Vascular Care, Algonquin. However, the permit for #17-072 was relinquished due to issues with the Landlord.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project establishes a health care facility (ASTC) as defined by the Illinois Health Facilities Planning Act. (20 ILCS 3960/3)

PURPOSE OF THE PROJECT:

- The Applicants stated:

  "Vascular access procedures can improve a patient's quality of life by reducing the amount of time they spend in the hospital or clinic receiving treatment. Patients with reliable access to their blood vessels can receive dialysis treatments at home or at an outpatient dialysis center, which can save them time and money and allow them to spend more time with their families and pursuing their interests. Vascular access procedures performed in an ASTC setting can have several benefits for patients, including reduced wait times, increased convenience, and lower costs. ASTCs are also equipped with advanced medical technology and staffed by highly trained healthcare professionals, ensuring that patients receive the highest quality of care possible."

PUBLIC HEARING/COMMENT:

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

SUMMARY:

- The State Board Staff reviewed the application for per**r**mit and additional information provided by the Applicants and note the following:
- The proposed project is a request by the Applicants for the State Board to determine the need to establish an ASTC providing vascular access procedures that support the vascular health of ESRD patients.
- To determine **the demand** for an ASTC by rule the Board is to rely on physician referrals from either licensed ASTCs or Hospitals. The physician referrals for this project are from office-based practices and could not be accepted.
- There is excess capacity in the proposed 10-mile geographical service area at the seven hospitals and three of the four identified ASTCs. (See Table Five at the end of this report).
- **The Applicants** addressed a total of twenty-two (22) criteria and was not compliant with the following:

Criteria	Reasons for Non-Compliance
77 IAC 1110.120 (b) – Projected Utilization	By rule referrals to health care providers other than licensed IDPH-ASTCs or hospitals are not included in determining projected patient volume (i.e., patient demand). The Applicants referrals are all from the office-based setting which is not a licensed ASTC or hospital.
77 IAC 1110.235 (c) (3) (A) & (B) – Service Demand **c) (3) (A) & (B) iv)** ***Referrals to health care providers other than IDPH-licensed ASTCs or hospitals will not be included in determining projected patient volume***	By rule referrals to health care providers other than licensed IDPH-ASTCs or hospitals are not included in determining projected patient volume (i.e., patient demand). The Applicants' referrals are all from the office-based setting which is not a licensed ASTC or hospital.
77 IAC 1110.235 (c) (5) (A) & (B) –Treatment Room Need Assessment	By rule referrals to health care providers other than licensed IDPH-ASTCs or hospitals are not included in determining projected patient volume. The Applicants' is basing the treatment room need assessment on referrals from a health care provider (i.e., office-based practice) that is not currently licensed.
77 IAC 1110.235 (c) (6) - Service Accessibility	There is unused surgical capacity at both hospitals and ASTCs in the proposed geographical service area that would be able to absorb the workload of the proposed facility. Table Five shows that there are seven existing ASTCs and three of the four hospitals in the service area with surgical services functioning beneath the State Board standard. The Applicants have not met the requirements of this criterion.
77 IAC 1110.235 (c) (7) – Unnecessary Duplication of Service	There are four (4) hospitals within ten (10) miles of the proposed project, and three (3) are not at target occupancy. Of the seven operating ASTCs within ten (10) miles, none are at target occupancy. (See Table Five)

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STATE BOARD STAFF REPORT
Project #23-036
NANI Vascular North ASTC

APPLICATION CHRONOLOGY	
Applicants(s)	NANI Vascular North ASC, LLC Nephrology Associates of Northern Illinois, LTD
Facility Name	NANI Vascular North ASC
Location	2055 Army Trail Road, Addison, IL
Permit Holder	Nephrology Associates of Northern Illinois, LTD
Operating Entity/Licensee	NANI Vascular North ASC, LLC
Owner of Site	Centerwest SPE, LLC
Gross Square Feet	7,307 GSF (5,500 GSF clinical/1,807 GSF non-clinical)
Application Received	August 10, 2023
Application Deemed Complete	August 11, 2023
Financial Commitment Date	January 23, 2025
Anticipated Completion Date	July 1, 2025
Review Period Ends	December 9, 2024
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

I. Project Description

The Applicants (NANI Vascular North ASC, LLC, and Nephrology Associates of Northern Illinois, LTD) are proposing to establish a single-specialty ambulatory surgical treatment (ASTC) facility at a cost of $5,206,120, located at 2055 Army Trail Road, Addison. The project completion date is July 1, 2025.

II. Summary of Findings

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

B. The State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1120.

III. General Information

The Applicants are NANI Vascular North ASC, LLC, and Nephrology Associates of Northern Illinois, LTD. The proposed project will provide vascular access services and general surgical procedures supporting the vascular health of ESRD patients. NANI Vascular North ASC is located at 2055 Army Trail Road, Addison. The ASTC contain two operating rooms.

IV. Health Service Area/Health Planning Area

The proposed ASTC will be located in DuPage County in Health Service Area 07. HSA-07 includes DuPage and suburban Cook counties. There are forty-nine (49) Ambulatory Surgical Treatment Centers in HSA-07, with none reported as specializing in vascular access surgical services.

V. Project Description

NANI Vascular North ASC proposes to establish a single specialty ASTC with two operating rooms, in 7,307 GSF of newly constructed space, located in Addison, Illinois. The Applicants facility will allow NANI physicians and other nephrologists access to a facility that provides surgical nephrology access services in an ASTC environment, which is more accessible, cost effective, and provides better outcomes.

VI. Project Costs

The Applicants are proposing to fund the project with a combination of cash/securities in the amount of $3,929,325, the fair market value (FMV) of leases totaling $1,046,169, and other funds and sources totaling $218,625. The estimated start-up costs and operating deficit cost is $1,392,164.

TABLE ONE
Uses and Sources of Funds

Use of Funds	Reviewable	Non-Reviewable	Total	% Of Total
New Construction Costs	$2,262,468	$694,542	$2,957,010	56.9%
Contingencies	$166,094	$46,847	$212,941	4.2%
A&E Fees	$218,400	$61,600	$280,000	5%
Consulting	$319,800	$90,200	$410,000	7.9%
Movable and Other Equipment	$156,000	$44,000	$200,000	4%
FMV of Leased Space	$856,012	$190,157	$1,046,169	20%
Other Costs to be Capitalized*	$78,000	$22,000	$100,000	2%
Total	$4,056,774	$1,146,346	$5,206,120	100.00%
Source of Funds	**Reviewable**	**Non-Reviewable**	**Total**	**% Of Total**
Cash/Securities	$3,021,234	$908,091	$3,929,325	75.5%
FMV of Leased Space	$856,012	$190,157	$1,046,169	20%
Other Funds and Sources*	$179,528	$48,098	$218,625	4.5%
Total	$4,056,774	$1,146,346	$5,206,120	100.00%

*Tenant Improvements Payable to the Site Owner

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

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

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

1) Any adverse action taken against the applicant, including corporate officers or directors, LLC members, partners, and owners of at least 5% of the proposed healthcare facility, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application.

2) A listing of all health care facilities currently owned and/or operated by the applicant in Illinois or elsewhere, including licensing, certification, and accreditation identification numbers, as applicable.

Nephrology Associates of Northern Illinois LTD. (NANI) is an Illinois-based physician-owned nephrology practice that has been providing access to care and innovation in the field of nephrology for over 45 years. Throughout its tenure, the physicians of NANI have been committed to providing care to those suffering from end-stage renal disease and requiring dialysis. NANI is the parent company of NANI Vascular North, LLC, (co-applicant), owns/manages NANI Sycamore Dialysis, Sycamore, and Willow Spring Surgery Center, Justice, an ASTC that focuses on vascular access procedures. The Applicants supplied proof of their Certificate of Good Standing, and licensure/accreditation will occur should the project be approved. The Applicants supplied a letter permitting the State Board, and IDPH to verify any information contained in this application. [Source: Application for Permit pg.49]

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

The Applicants are asked to:

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

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

1) **Reduced wait times/increased convenience:** The Applicants cite survey data that confirms patients who use ASTCs for vascular access procedures experience a more convenient, patient-centered approach as compared to hospitals, based on the smaller, more personable format and increased access to more convenient scheduling blocks. Patients also report spending less time waiting for services and are more likely to be discharged and return home the same day as treatment.

2) **Lower Costs:** The cost of healthcare in the United States is a growing concern. Procedures performed in an ASTC setting are more cost effective due to the absence of

facility fees, lower overhead costs, and lower fees for clinical support and anesthesia services. Patients treated in ASTCs are more likely to be discharged the same day, eliminating costly overnight admissions/stays in a hospital setting, and the equipment used in ASTCs is often re-useable, which further benefits the patient financially.

3) **Better outcomes:** Patients utilizing ASTCs report having better outcomes due to increased accessibility to services, with staff and clinicians they are familiar with and more likely to interact with during follow-up. Another contributing factor is based on the use of telemedicine which allows the patient to seek counsel with their clinician, without exposing themselves to excessive travel, clinical complications, and exposure to nosocomial agents that may trigger illness and/or infections.

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

C) Criterion 1110.110 (c) – Safety Net Impact

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

The Applicants stated the following:

"NANI Vascular North ASC, LLC is a new entity and has no applicable historical data for this criterion. However, it is anticipated that the proposed facility will have appositive material impact on safety net services in the community. Nephrology Associates of Northern Illinois and Indiana (NANI) has long maintained a commitment to serve diverse communities in northern Illinois and Indiana. That includers both economic and racial diversity. The practice is rooted in treating patients with kidney disease, a disease that disproportionately affect communities of color. This project involves the replacement of an existing surgical center and the consolidation of surgical services currently offered in office-based labs. AS such, there should not be any impact on the ability of another provider to cross-subsidize safety net services since those facilities are not currently nor do they intend to treat these patients" [Application for Permit Page 104]

TABLE TWO			
Charity Care Information NANI Vascular North ASTC			
CHARITY			
	2020	2021	2022
# of Charity Care (Self-Pay)	-	-	-
Cost of Charity Care	-	-	-
Ratio of Charity Care to Net Patient Revenue	-	-	-
MEDICAID			
	2020	2021	2022
Medicaid (# of patients)	-	93	144
Medicaid (revenue)	-	$44.00	-
Source: Application for Permit pages 104-105			

The Applicants did provide projected payor source data from the Willow Spring Surgery Center and NANI office-based labs for the past 12 months and Table Three shows its projected

payor source data by its second year of operation.

TABLE THREE Historical and Projected Payor Source Data NANI Vascular North ASC		
Payer Type	Estimated # of patients	Projected Revenue % by Payor Mix
Medicare	55%	59%
Medicare Advantage	20%	25%
Commercial	16%	10%
Medicaid	8%	5%
HMO	1%	<1%

D) Criterion 1110.110 (d) Alternatives to the Project

To demonstrate compliance with this criterion the Applicants must document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The Applicants considered five alternatives in total. [Application for Permit page 31-32]

1. Exit the Marketplace

The Applicants rejected this option because changes in the reimbursement model for vascular access procedures has compelled many providers to discontinue the provision of these services. NANI is committed to providing access to the best quality of care possible for its patients, and the changes in reimbursement models by CMS have resulted in the relocation of vascular access procedures from hospital to ASTC settings, which supports the reasoning behind this rejection.

2. Utilize a Hospital Surgical Suite

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

3. Rely on Available Capacity at Other Surgery Centers

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

4. Acquire an Existing ASTC

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

5. Project as Proposed

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

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

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

To document compliance with this criterion the Applicants must document that the proposed surgical rooms and recovery stations meet the State Board GSF Standard's in Section 1110.Appendix B.

The Applicants are proposing two (2) operating/procedure rooms, in 5,500 GSF of clinical space, which is approximately 2,750 GSF per room. The State standard for ASTC rooms is 2,075-2,750BGSF per room, and it appears the Applicants has met the requirements of this criterion.

B) Criterion 1110.120 (b) – Projected Utilization

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

The State Board Standard is 1,500 hours per operating room or a total of 3,000 hours for the proposed two (2) procedure rooms. The Applicants are projecting a total of 2,039 hours by the second year of operation, based on historical utilization data (application, p. 66).

IX. Establish an Ambulatory Surgical Treatment Center

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

A) Criterion 1110.235 (c) (2) (B) (i) & (ii) – Service to GSA Residents

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

By rule the Applicants are to identify all zip codes within ten (10) miles of the proposed ASTC. The Applicants provided this information on page 71 of the application for permit. In addition to the populations of DuPage and suburban Cook counties, there are also forty-three (43) zip codes within these ten (10) miles geographical service area with a population of 977,666.

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

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

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

1. *Patient origin by zip code of residence.*
2. *Name and specialty of referring physician.*
3. *Name and location of the recipient hospital or ASTC; and*
4. *Number of referrals to other facilities for each proposed ASTC service for each of the latest two years.*
5. *Estimated number of referrals to the proposed ASTC within 24 months after project completion*
6. *Physician notarized signature signed and dated; and*
7. *An attestation that the patient referrals have not been used to support another pending or approved CON application for the subject services.*

By rule the referrals to a proposed ASTC must be from IDPH licensed ASTC or hospitals. The Applicants submitted referral letters attesting to the referral of approximately 2,399 patients to the ASTC, by the second year after project

completion. However, these referrals were not from IDPH licensed ASTCs or hospitals in the proposed GSA and cannot be accepted. The Applicants have not met the requirements of this criterion.

TABLE FOUR Referral Sources NANI Vascular North ASTC			
Physician	Facility	Cases in Last 12 Months	Referrals to ASTC
Dr. DeJesus	DuPage Access Facility	1,240	1,240
Dr. Rahman	Dialysis Access Services of NANI	1,159	1,159

C) Criterion 1110. 235 (c)(5)(A) & (B) - Treatment Room Need Assessment

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

1. Based upon the State Board Staff's review of the referral letters the Applicants can justify 1,943 hours in the first year after project completion, and 2,039 hours of operation in Year 2. This number of operating/procedure hours will justify the two (2) procedure rooms being requested by the Applicants [1,943/1,500 = 1.29 rooms, 2,518/1,500 = 1.68 rooms]

2. The Applicants supplied an estimated time per procedure (application, p. 86), which includes prep/clean-up. This time was gathered from historical access procedures performed in the past 12 months at the facilities identified in Table Six. The average time per procedure was 49 minutes.

By rule the referrals to a proposed ASTC must be from IDPH licensed ASTC or hospitals. The Applicants submitted referral letters attesting to the referral of approximately 2,399 patients to the ASTC, by the second year after project completion. However, these referrals were not from IDPH licensed ASTCs or hospitals in the proposed GSA and cannot be accepted. The Applicants cannot justify the two rooms being proposed.

D) Criterion 1110.235 (c) (6) - Service Accessibility

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

1. There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project.
2. The other IDPH-licensed ASTC and hospital surgical/treatment rooms used for those ASTC services proposed by the project within the identified GSA are utilized at or above the utilization level specified in 77 Ill. Adm. Code 1100.
3. The ASTC services or specific types of procedures or operations that are components of an ASTC service are not currently available in the GSA or that existing underutilized services in the GSA have restrictive admission policies.
4. The proposed project is a cooperative venture sponsored by two or more persons, at least one of which operates an existing hospital. Documentation shall provide evidence that:
    - A) The existing hospital is currently providing outpatient services to the population of the subject GSA.
    - B) The existing hospital has sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital and at the proposed ASTC, based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100.
    - C) The existing hospital agrees not to increase its surgical/treatment room capacity until the proposed project's surgical/treatment rooms are operating at or above the

utilization rate specified in 77 Ill. Adm. Code 1100 for a period of at least 12 consecutive months; and

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

1. There are existing ASTCs in the identified GSA. [See Table Five]

2. There are underutilized ASTC and hospital surgical/treatment rooms in the identified GSA. [See Table Five]

3. The proposed surgical services are available in the GSA. However, the Applicants will provide vascular access surgery, and minor minimally invasive surgical procedures exclusively in an outpatient setting. The Applicants note vascular access procedures are non-emergent in nature, and often under-prioritized in the inpatient hospital setting for more complex, emergent surgical needs. These delays often result in the patient forgoing the vascular access procedure and jeopardizing the likelihood of a quality outcome. The applicant proposes to transform his office-based practice to a limited specialty ASTC, based on the recent historical volume of Access procedures being performed, and the desire to remain compliant with the State Board rules. (Application p. 42).

4. The State Board Staff does not consider the proposed project a cooperative venture with one of the persons operating an existing hospital.

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

TABLE FIVE
ASTCs and Hospitals in the 10-Mile GSA

Facility/City/Classification	Distance (miles)	OR/Procedure Rooms	Utilization (hours)	Met Standard?
ASTC				
Midwest Center for Day Surgery, Downers Grove (multi)	9.9	5/1	4,238	No
DuPage Medical Group Surgery Center, Lombard (multi)	9.3	8/3	14,035	No
Loyola Ambulatory Surgery Center, Oakbrook (multi)	9.3	3	947	No
Ophthalmology Surgery Center of Illinois Itasca (single Ophthalmology)	6.4	3	2,050	No
DuPage Eye Surgery Center Wheaton (single Ophthalmology)	6.3	4/2	3,063	No
Innovia Surgery Center, Wood Dale (multi) (O/B)	5.8	2	131	No
Aiden Center for Day Surgery, Addison (multi)	2.5	4/2	136	No
Hospitals				
Advocate Good Samaritan Hospital, Downers Grove	9.7	15/6	20,921	No

TABLE FIVE ASTCs and Hospitals in the 10-Mile GSA				
Facility/City/Classification	**Distance (miles)**	**OR/Procedure Rooms**	**Utilization (hours)**	**Met Standard?**
Central DuPage Hospital, Winfield	9.6	26/5	55,096	Yes
Alexian Brothers Medical Center, Elk Grove Village	6.6	15/11	22,070	No
Adventist Glen Oaks Hospital, Glendale Heights	3.2	5	4,401	No

E) Criterion 1110.235 (A) thru (C) - Unnecessary Duplication/Maldistribution/Impact on Other Providers

1.To demonstrate compliance with this criterion the Applicants must provide a list of all licensed hospitals and ASTCs within the proposed GSA and their historical utilization (within the 12-month period prior to application submission) for the existing surgical/treatment rooms.
2. To demonstrate compliance with this criterion the Applicants must document the ratio of surgical/treatment rooms to the population within the proposed GSA that exceeds one and one half-times the State average.
3) To demonstrate compliance with this criterion the Applicants must document that, within 24 months after project completion, the proposed project:

A) Will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and
B) *Will not lower, to a further extent, the utilization of other GSA facilities that are currently (during the latest 12-month period) operating below the utilization standards.*

The Applicants stated the following to address this criterion:

1. Unnecessary Duplication of Service

There are seven (7) ASTCs within ten miles, two are single specialty, and none are at target occupancy. The five (5) remaining ASTCs are multi-specialty, with none providing vascular access services. **Reviewer Note:** ASTCs would have to apply for a certificate of need to add the specialty proposed by this project. There are four (4) hospitals within the proposed 10-mile GSA, and only one (1) hospital is at the target occupancy of 1,500 hours per surgery/procedure room.

2. Maldistribution

According to the Applicants, the proposed ASTCs geographic service area has an estimated population of 977,666. The number of operating/procedure rooms within this area is approximately 130 operating/procedure rooms. That equates to one (1) operating/procedure room per every 7,520 individuals. The State of Illinois estimated population for 2015 is 12,900,879. The number of operating/procedure rooms in the State of Illinois is 3,054 rooms. The ratio of population to operating/procedure rooms is one (1) operating/procedure room per every 4,224 individuals. Based upon this analysis it does not appear there is a surplus of operating/procedure rooms in this geographical service area.

3. Impact on Other Facilities

The Applicants stated that no other provider within the ten (10) mile service area will be impacted because the proposed project calls for the licensing of a single specialty ASTC providing vascular access service for dialysis treatments. The procedure is considered specialized and is normally performed in hospital operating/procedure rooms. The proposed project will actually allow the applicant to perform more of the specialized procedures in an ASTC setting and allow practicing physicians in the service area to increase their referral volume. The proposed project will not negatively impact area facilities.

The Applicants have not met this requirement of this criterion.

F) Criterion 1110.235 (c) (8) - Staffing

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

To address this criterion the Applicants provided curriculum vitae for Dr. Mohammed Rahman, M.D. (application, p. 90). The existing Applicants' facilities are already staffed in accordance with applicable licensing standards, will be sharing staff as needed, and has never had difficulties filling job openings in their facilities. Based upon the information provided in the application for permit, it appears that the proposed ASTC will be properly staffed.

H) Criterion 1110.235 (c) (9) - Charge Commitment

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

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

The Applicants supplied a statement of charges (application, pgs. 94-96), and certified attestation that the identified charges will not increase for at least the first two years in operation as an ASTC.

I) Criterion 1110.235 (c) (10) - Assurances

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

The Applicants provided certified attestation (see project file), that NANI Vascular North ASC will continue to maintain quality patient care standards and meet or exceed the utilization standards specified in 77 IAC 1100, by the second year of operation.

X. FINANCIAL VIABILITY

A) Criterion 1120.120 - Availability of Funds

B) Criterion 1120.130 - Financial Viability

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

The Applicants are funding this project internally with a combination of cash/securities in the amount of $3,929,325, leases with a fair market value totaling $1,046,169, and a tenant improvement allowance (other funds and sources) totaling $218,625. The Applicants did provide projected viability ratios (Table Six), and a balance sheet (Table Seven), to show their financial viability.

TABLE SIX
Projected Ratios

	State Standard	Year 1
Current Ratio	≥1.5	12.23
Net Margin %	≥3.50%	21%
Debt to Total Capitalization	≤80%	0%
Debt Service Coverage	≥1.75	N/A
Days Cash on Hand Cash	≥45 days	46
Cushion Ratio	≥ 3	N/A

TABLE SEVEN
Balance Sheet
NANI Vascular North ASC, LLC

Current Assets	$1,052,189
Total Assets	$2,406,055
Current Liabilities	$86,000
Total Liabilities	$873,891
Equity	$1,532,164
Total Liabilities and Equity	$2,406,055
Facility Revenue	$4,195,113
Gross Revenue	$4,824,380
Total General and Administrative Expenses	$2,648,756
Operating Income	$2,175,624

The total project cost is $5,206,120, of which $4,159,951 (79.9%), is attributed to construction and equipment purchases. The balance ($1,046,169/20.1%), relates to leasing costs at the new facility. The lease agreement (application, p. 27), shows a lease term of 11 years at a rental rate of $12.50 per GSF, with an annual escalation of 2.5%.

Approximately seventy-five percent (75.5%) of the project is being funded from cash, approximately twenty percent (20%) is the FMV of an operating lease that will be paid out over term of the lease, and the remaining four percent (4.5%) is attributed to tenant improvements payable to the site owner.

Sources	Reviewable	Non-Reviewable	Total	% of Total
Cash and Securities	$3,021,234	$908,091	$3,929,325	75.5%
FMV of Leased Space	$856,012	$190,157	$1,046,169	20%
Other Funds/Sources	$179,528	$48,098	$218,625	4.5%
Total Source of Funds	**$4,056,774**	**$1,146,346**	**$5,206,120**	**100.00%**
Source: Application for Permit Page 6 *Tenant Improvements Payable to Site Owner.				

Based upon the information reviewed it appears funds are available.

XI. ECONOMIC FEASIBILITY

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

The Applicants are funding this project with a combination of cash/securities in the amount of $3,929,325, the fair market value of the lease totaling $1,046,169, and tenant improvements payable to the site owner totaling $218,625. The Applicants provided documentation proving financing for the proposed project comes from internal sources, and that sufficient financial viability exists to fund the project in its entirety. Therefore, these criteria have been met. A Letter from the Brian J. O'Dea, Chief Executive Officer of Nephrology Associates of Northern Illinois, LTD has been provided attesting that Nephrology Associates of Northern Illinois, LTD has sufficient resources to fund this project and to fully fund other ongoing obligations (See Application for Permit page 103)

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

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

New Construction Costs – These costs total $2,262,468 or $411.36/GSF. ($2,262,468/5,500 GSF=$411.36.00). This appears reasonable when compared to the State Board Standard of $466.97/GSF (2024 mid-point of construction).

Contingency Costs - These costs total $166,094 and are 7.4% of new construction costs. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees – These costs total $218,400 and are 9% of new construction and contingencies costs ($2,428,562). These costs appear reasonable when compared to the State Board Standard of 7.06% to 10.6%%.

Moveable Equipment Not in Construction Contracts – These costs total $156,000. This appears reasonable when compared to the State Board standard of $567,748.35 per room (project mid-point: 2024).

Fair Market Value of Lease Space/Equipment – These cost total $856,012. The State Board

does not have a standard for these costs.

Consulting and Other Fees – These cost total $319,800. The State Board does not have a standard for these costs.

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

D) Criterion 1120.140 (d) – Direct Operating Cost

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

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