



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-08 | BOARD MEETING: March 12, 2024 | PROJECT NO: 23-046 | PROJECT COST: |
| FACILITY NAME: Innovia Surgery Center | | CITY: Wood Dale | Original: \$1,667,275 |
| TYPE OF PROJECT: Non-Substantive | | | HSA: VII |

PROJECT DESCRIPTION: The Applicants (Innovia Surgery Center, LLC, and Advantage Surgical Holdings, LLC) propose to add spine and orthopedic surgery to an existing ASTC located at 203 East Irving Park Road, Wood Dale, Illinois. The project cost is \$1,667,275 and the expected completion date is June 30, 2024.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Innovia Surgery Center, LLC, and Advantage Surgical Holdings, LLC) propose to add spine and orthopedic surgery to an existing multi-specialty ASTC located at 203 East Irving Park Road, Wood Dale, Illinois. The project cost is \$1,667,275 and the expected completion date is June 30, 2024.
- The ASTC has two operating rooms and has been approved to provide the following surgical services:
 - Obstetrics/Gynecology
 - Otolaryngology
 - Pain Management
 - Plastic Surgery
 - Podiatric Surgery
 - Interventional Radiology
 - Urology
 - Dentistry

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes the addition of a surgical specialty.

PUBLIC HEARING/COMMENT:

- A public hearing was offered but was not requested. Three letters of support were received, and no letters of opposition were submitted regarding this project.

SUMMARY:

- The Applicants are asking to the State Board to approve Spine and Orthopedic Surgical Services for this ASTC. The referring physicians are proposing to move patients from underutilized ASTCs (See Table Four) to Innovia Surgery Center. Additionally, the Applicants are reporting that over a five-year period 22% of their patients were charity care patients and approximately 23% were reported as Medicaid clients. ASTC facilities in the State of Illinois average approximately 4% Medicaid patients and under 1% charity care patients.
- The Applicants addressed 21 criteria and failed to meet the following:

| State Board Standards Not Met | |
|--|---|
| Criterion | Reasons for Non-Compliance |
| 77 ILAC 1110.120 (b) – Projected Utilization | The Applicants are estimating 2,072 hours by the first year after project completion which will justify the 2 operating rooms based on the State Board standard or 1,500 hours per operating room ($2,072 \text{ hours} \div 1,500 \text{ hours} = 1.4 \text{ rooms}$ or 2 operating rooms). Based upon the projected referrals provided by the Applicants the Applicants have met the requirements of this criterion. However, no documentation has been provided in this Application for Permit to support the projected referrals for OB/GYN, General Dentistry, ENT, and Plastic surgical specialties and those projections were not |

| State Board Standards Not Met | |
|---|---|
| Criterion | Reasons for Non-Compliance |
| | accepted. The Applicants have not met the requirements of this criterion. |
| 77 ILAC 1110.235 (5) – Treatment Room Need Assessment | As documented at 77 ILAC 1110.120 (b) – Projected Utilization the Applicants provided the number of patient treatments for surgical services in which no documentation in this Application for Permit has been provided. The Applicants cannot justify the number of operating rooms. |
| 77 ILAC 1110.235 (6) – Service Accessibility | There are ASTCs and Hospitals in the 10-mile GSA not currently at the target occupancy of 1,500 hours per operating/procedure room and this project is not a cooperative venture with a hospital. (See Table Four) |
| 77 ILAC 1110.235 (c) (7) – Unnecessary Duplication of Service | There are 21 ASTCs and 7 hospitals within the 10-mile GSA. There are seven ASTCs in the 10-mile GSA that offer neurological (spine) and orthopedic surgical specialties all seven ASTCs are underutilized. Of the 21 ASTCs only one is fully utilized (DMG Surgical Center) based upon 2022 information. Of the seven hospitals only one hospital's surgical and procedural suites are fully utilized (Elmhurst Memorial Hospital). |
| 77ILAC 1120.120 – Financial Viability | The Applicants do not meet the net margin percentage for CY 2020 and CY 2022, the LTD/Total Capitalization and Projected Debt Service Coverage for CY 2022 and Days Cash on Hand for CY 2020, CY 2021, CY 2022, and the Cushion Ratio for CY 2022. (See Table Five) |



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STATE BOARD STAFF REPORT

Project #23-046

Innovia Surgery Center

| APPLICATION/SUMMARY | |
|--|---|
| Applicant(s) | Innovia Surgery Center, LLC Advantage Surgical Holdings, LLC |
| Facility Name | Innovia Surgery Center |
| Location | 203 East Irving Park Road, Wood Dale |
| Permit Holder | Innovia Surgery Center, LLC |
| Owner of Site | Arizona-Illinois L.P. |
| Application Received | October 25, 2023 |
| Application Deemed Complete | October 30, 2023 |
| Anticipated Completion Date | June 30, 2024 |
| Review Period Ends | December 30, 2023 |
| Review Period Extended by the State Board Staff? | No |
| Can the Applicants request a deferral? | Yes |

I. Project Description

The Applicants (Innovia Surgery Center, LLC, and Advantage Surgical Holdings, LLC) propose to add spine and orthopedic surgery to an existing multi-specialty ASTC located at 203 East Irving Park Road, Wood Dale, Illinois. The project cost is \$1,667,275 and the expected completion date is June 30, 2024.

II. Summary of Findings

- A. State Board Staff finds the proposed project is **not** in conformance with all relevant provisions of Part 1110 (77 Ill. Adm. Code 1110).
- B. State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1120 (77 Ill. Adm. Code 1120).

III. General Information

The Applicants (Innovia Surgery Center, LLC, and Advantage Surgical Holdings, LLC) state the facility is the only ASTC under their ownership/operational control. The multi-specialty ASTC is licensed to perform Dentistry, Obstetrics/Gynecology, Otolaryngology, Plastic Surgery, Podiatric Surgery, Urology, Interventional Radiology, and Pain Management services. Financial commitment will occur after permit approval. This project is subject to a Part 1110 and Part 1120 review.

IV. Project Uses and Sources of Funds

The Applicants will fund this project with the Fair Market Value of Leased Space and Equipment totaling \$1,667,275. The entirety of the project costs is for the leasing of space (\$1,117,275) and the leasing of equipment (\$550,000).

| TABLE ONE Project Costs and Sources of Funds | | | | |
|--|--------------------|----------------|--------------------|-------------|
| Uses of Funds | Reviewable | Non-Reviewable | Total | % Of Total |
| Fair Market Value Leased Space/Equipment | \$1,667,275 | \$0.00 | \$1,667,275 | 100% |
| TOTAL USES OF FUNDS | \$1,667,275 | \$0.00 | \$1,667,275 | 100% |
| Source of Funds | Reviewable | Non-Reviewable | Total | % Of Total |
| Fair Market Value Leased Space/Equipment | \$1,667,275 | \$0.00 | \$1,667,275 | 100% |
| TOTAL SOURCES OF FUNDS | \$1,667,275 | \$0.00 | \$1,667,275 | 100% |

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

- 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 the Applicant

The Applicants have certified there have been no adverse action taking against any facility owned and/or operated by the Applicants during the three years prior to filing of the application. The Applicants also certify there have been no individuals cited, arrested, taken into custody, charged with, indicted, convicted, or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. The Applicants permit the Illinois Health Facilities and Services Review Board (HFSRB) and the Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted, 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 the Project

The primary purpose of this project is to improve access to spine and orthopedic procedures to patients within the Applicants' geographic service area and to increase utilization at Innovia Surgery Center which currently has capacity.

C) Safety Net Impact Statement

This is a non-substantive project; a safety net statement is not required. Table Two documents the number of patients by Payor Source for years 2018 thru 2022.

| TABLE TWO | | | | | | | |
|--|------|------|------|------|------|-----|--------|
| Number of Patients by Payor Source | | | | | | | |
| Year | 2018 | 2019 | 2020 | 2021 | 2022 | Ave | % |
| Medicaid | 0 | 54 | 339 | 265 | 50 | 142 | 23.16% |
| Medicare | 0 | 0 | 2 | 1 | 0 | 1 | .16% |
| Other | 0 | 3 | 5 | 0 | 0 | 2 | .33% |
| Commercial | 195 | 126 | 105 | 88 | 18 | 107 | 17.46% |
| Private Pay | 336 | 419 | 202 | 185 | 7 | 230 | 37.52% |
| Charity Care ⁽¹⁾ | 296 | 287 | 80 | 1 | 0 | 133 | 21.70% |
| Total | 827 | 889 | 733 | 540 | 75 | 613 | 100% |
| *"Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer. [20 ILCS 3960, Section 3] Charity care does not include bad debt or the unreimbursed cost of Medicare, Medicaid, and other federal, State, or local indigent health care programs, eligibility for which is based on financial need | | | | | | | |

D) Alternatives to the Project

The Applicant considered three alternatives to the proposed project.

1) Status Quo/Do Nothing (no cost)

The first alternative considered was to maintain the status quo, whereby the Applicants would continue to perform previously approved surgical specialties at Innovia. The primary purpose of this project is to improve access to neurological (spine) surgery and orthopedics to patients within the Applicants' geographic service area and to increase utilization at Innovia, which currently has capacity.

According to the Applicants while this alternative would result in no cost to the Applicants maintaining the status quo would not allow physicians to operate in an environment over which they have more control, which enhances care and reduces burnout. Patients would not benefit from a more accommodating environment with surgical outcomes are equivalent to hospitals in a less costly setting. Medicare and other payors would not benefit from the significant savings when spine and orthopedic surgeries are performed in an ASC.

2) Utilize Other Health Care Facilities

Another alternative the Applicants considered was utilizing existing health care facilities to provide an option for neurological (spine) surgery and orthopedics. No surgery center within the Innovia GSA is approved for both neurological surgery and orthopedics and provides the same levels of Medicaid and charity care as Innovia. There are 7 acute care hospitals and 21 ambulatory surgical treatment

centers located within the 10-mile GSA. Due to the underutilization of the surgery center and infeasibility of utilizing other providers, this alternative was rejected. There is no cost to this option.

3. Add Neurological (Spine) Surgery and Orthopedics to the Existing ASTC

Innovia has capacity to add more procedures. To increase utilization at the surgery center while at the same time increasing access to neurological (spine) surgery and orthopedics in a lower cost setting, Innovia decided to request the addition of neurological (spine) surgery and orthopedics to its existing ASTC. After weighing this low-cost option against others, the Applicants determined that this alternative would provide the greatest benefit in terms of increased utilization and increased access to neurological (spine) surgery and orthopedics services. The cost of this option is \$1,667,275.

VI. Size of the Project, Projected Utilization

Criterion 1110.120 (a) – Size of the Project

Criterion 1110.120 (b) – Projected Utilization

A) Size of the Project

The Applicants are not proposing new construction or modernization for this project. The current spatial configuration for this facility is 3,850 GSF, which is within the State standard of 5,550 GSF for an ASTC containing 2 operating rooms (2,750 dgsf/room).

B) Projected Utilization

The applicant shall 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 Applicants are estimating 2,072 hours by the first year after project completion which will justify the 2 operating rooms based on the State Board standard or 1,500 hours per operating room (2,072 hours ÷ 1,500 hours = 1.4 rooms or 2 operating rooms). Based upon the projected referrals provided by the Applicants the Applicants have met the requirements of this criterion. However, no documentation has been provided in this Application for Permit to support the projected referrals for OB/GYN, General Dentistry, ENT, and Plastic surgical specialties and those projections were not accepted. The Applicants have not met the requirements of this criterion.

| TABLE THREE Projected Services Utilization | | | |
|---|---------------------|-------------------------|---|
| Surgical Specialty | Projected Referrals | Estimated Surgical Time | Estimated Surgical Hours After 1 st Year |
| OB/Gynecology | 538 | 1.75 hrs. | 945 |
| General Dentistry | 260 | 2 hrs. | 520 |

| TABLE THREE Projected Services Utilization | | | |
|---|---------------------|-------------------------|---|
| Surgical Specialty | Projected Referrals | Estimated Surgical Time | Estimated Surgical Hours After 1 st Year |
| Orthopedics | 60 | 1.7 hrs. | 102 |
| Spine Surgery ⁽¹⁾ | 20 | 1.7 hrs. | 34 |
| ENT | 192 | 1.3 hrs. | 250 |
| Plastic | 96 | 2.3 hrs. | 221 |
| Total | 1,166 | | 2,072 |
| *State Standard: 1,500 Surgical Hours Per Room Facility contains 2 Operating Rooms 1. 22 of the proposed referrals for spine surgery were not accepted because the referrals were not performed in a licensed ASTC. | | | |

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

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

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

B) Service to Geographic Service Area Residents

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

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

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

The established radii for a facility located in metropolitan Chicago/DuPage County is 10-miles (per 77 Ill. Adm. Code 1100.510(d)(2)). The Applicants identified 49 zip codes in this service area with a population of approximately 1,346,234 residents. The Applicants identified 174 historical referrals by zip code of residence for the latest 12-month period

that resided in this 10-mile GSA. [Application for Permit pages 88-89]. The Applicants have met the requirements of this criterion.

C) 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 applicant shall document the information required by subsection (c)(3) and either subsection (c)(3)(B) or (C):

A) Historical Referrals

The applicant shall provide physician referral letters that attest to the physician's total number of treatments for each ASTC service that has been referred to existing IDPH-licensed ASTCs or hospitals located in the GSA during the 12-month period prior to submission of the application. The documentation of physician referrals shall include the following information:

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

B) Projected Service Demand

The applicant shall provide the following documentation:

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

The Applicants state the primary purpose of this project is to improve access to spine and orthopedic procedures to patients within the Applicants' geographic service area and to increase utilization at Innovia Surgery Center, which currently has capacity. The Applicants provided two physician referral letters indicating that the two physicians will refer 102 patients to Innovia Surgery Center. Of the 102 patients 90 patients will be coming from licensed ASTCs. The Applicants have met the requirement of this criterion.

The proposed referrals will be coming from the following facilities. It is difficult to understand how cost savings are going to be realized when the proposed referrals are coming from facilities that are currently underutilized.

| TABLE FOUR Historical Referrals | | | | | |
|--|----------------------------------|--------------------|-----------------------------|----------------|-----------------------------|
| | | Dr Erickson | | Dr Park | |
| Facilities | 2022 Facility Utilization | Cases | Cases to be Referred | Cases | Cases to be Referred |
| Illinois Back & Neck Institute | 64.96% | 3 | 3 | 0 | 0 |
| Lakeshore Surgery Center | 42.67% | 7 | 5 | 0 | 0 |
| Chicago Surgery Center | 34.03% | 0 | 0 | 34 | 17 |
| Hyde Park Surgery Center | 24.21% | 5 | 3 | 20 | 10 |
| Fullerton Kimball Medical and Surgical Center | 20.89% | 0 | 0 | 29 | 15 |
| Rogers Park Surgery Center | 18.99% | 8 | 6 | 31 | 15 |
| Thorek Memorial Hospital | 13.48% | 2 | 2 | 0 | 0 |
| Grand Ave Surgery Center | 4.78% | 0 | 0 | 5 | 3 |
| Barrington Ambulatory Surgery Center | 3.23% | 1 | 1 | 0 | 0 |
| Pinnacle Pain Management (not a licensed ASTC) | | 14 | 0 | 0 | 0 |
| APM Surgery Center (not a licensed ASTC) | | 15 | 0 | 0 | 0 |
| Total | | 55 | 20 | 119 | 60 |

D) Treatment Room Need Assessment – Review Criterion

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 estimating 2,072 hours by the first year after project completion which will justify the 2 operating rooms based on the State Board standard or 1,500 hours per operating room ($2,072 \text{ hours} \div 1,500 \text{ hours} = 1.4 \text{ rooms}$ or 2 operating rooms). As documented at 77 ILAC 1110.120 (b) – Projected Utilization the Applicants provided the number of patient treatments for surgical services in which no documentation in this Application for Permit has been provided. The Applicants can not justify the number of operating rooms.

E) 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.

There are 21 ASTCs and 7 hospitals within the 10-mile GSA. There are existing ASTCs, and hospitals currently underutilized in this 10-mile GSA. The specialties (Spine Surgery and Orthopedics) being proposed are available within the 10-mile GSA. The proposed project is not a joint venture with a hospital. The Applicants have not met the requirements of this criterion.

F) Unnecessary Duplication/Maldistribution

- A) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information for the proposed GSA zip code areas identified in subsection (c)(2)(B)(i):
 - i) the total population of the GSA (based upon the most recent population numbers available for the State of Illinois); and
 - ii) the names and locations of all existing or approved health care facilities located within the GSA that provide the ASTC services that are proposed by the project.
- B) The applicant shall document that the project will not result in maldistribution of services. Maldistribution exists when the GSA has an excess supply of facilities and ASTC services characterized by such factors as, but not limited to:
 - i) **a ratio of surgical/treatment rooms to population that exceeds one and one-half times the State average.**
 - ii) historical utilization (for the latest 12-month period prior to submission of the application) for existing surgical/treatment rooms for the ASTC services proposed by the project that are below the utilization standard specified in 77 Ill. Adm. Code 1100; or
 - iii) insufficient population to provide the volume or caseload necessary to utilize the surgical/treatment rooms proposed by the project at or above utilization standards specified in 77 Ill. Adm. Code 1100.
- C) The applicant shall document that, within 24 months after project completion, the proposed project:
 - i) will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and
 - ii) will not lower, to a further extent, the utilization of other GSA facilities that are currently (during the latest 12-month period) operating below the utilization standards.

There are 1,346,234 residents within the 10-mile GSA. There are 235 operating procedure rooms within this 10-mile GSA. The ratio of operating procedure rooms to population is 1 operating procedure room per 5,729 residents within the 10-mile GSA. There are 12,671,469 residents in the State of Illinois with approximately 2,626 operating procedure rooms in the State of Illinois. The ratio of operating procedure rooms to population is 1 operating procedure room per 4,825 residents. There is not a surplus of operating procedure rooms within this 10-mile GSA.

There are 21 ASTCs and 7 hospitals within the 10-mile GSA. There are seven ASTCs in the 10-mile GSA that offer neurological (spine) and orthopedic surgical specialties all seven ASTCs are underutilized. Of the 21 ASTCs only one is fully utilized (DMG Surgical Center) based upon 2022 information. Of the seven hospitals only one hospital's surgical and procedural suites are fully utilized (Elmhurst Memorial Hospital).

As mentioned above it is difficult to understand how the movement of procedures from underutilized ASTCs to another ASTC provides cost savings or has any effect on cost containment. The Applicants have not met the requirements of this criterion.

TABLE FOUR
Surgery Centers and Hospitals in the 10-mile GSA

| Facility | City | Approved Services | Rooms | Cases | Hours | Utilization |
|---|-------------------|--|--------------|--------------|--------------|--------------------|
| Advanced Ambulatory Surgical Center | Chicago | Dermatology, gastroenterology, general surgery, neurological, OB GYN, ophthalmology, oral/max, orthopedic, otolaryngology, pain management, plastic surgery, podiatry, thoracic, urology | 2 | 897 | 1,239 | 33.04% |
| Aiden Center for Day Surgery | Addison | Orthopedic, otolaryngology, plastic surgery, podiatry | 6 | 73 | 136 | 1.21% |
| Belmont Harlem Surgery Center | Chicago | gastroenterology, general surgery, ophthalmology, orthopedic, pain management, podiatry, | 4 | 2,801 | 2,643 | 35.24% |
| Children's Outpatient Service& at Westchester | Westchester | Dermatology, gastroenterology, general surgery, neurological, ophthalmology, oral/max, orthopedic, otolaryngology, pain management, plastic surgery, urology | 3 | 2,337 | 4,402 | 78.26% |
| DMG Surgical Center | Lombard | general surgery, OB/GYN, Ophthalmology, Orthopedic, otolaryngology, pain management, plastic surgery, podiatry, urology | 11 | 24,123 | 21,154 | 102.56% |
| DuPage Eye Surgery Center | Wheaton | ophthalmology | 6 | 8,942 | 3,064 | 27.24% |
| Elmhurst Outpatient Surgery Center | Elmhurst | general surgery, Ophthalmology, Orthopedic, otolaryngology, pain management, plastic surgery, podiatry, urology | 8 | 4,678 | 4,840 | 32.27% |
| Elmwood Park Same Day Surgery | Elmwood Park | neurological, orthopedic, pain management | 3 | 149 | 206 | 3.66% |
| Golf Surgical Center, LLC | Des Plaines | gastroenterology, general surgery, neurological, ophthalmology, oral/maxillofacial, orthopedic, otolaryngology, pain management, plastic surgery, podiatry, urology | 8 | 5,576 | 1,707 | 11.38% |
| Illinois Hand & Upper Extremity Center | Arlington Heights | orthopedic | 1 | 385 | 772 | 41.17% |
| Lakeshore Gastroenterology & Liver Disease | Des Plaines | gastroenterology | 2 | 2,939 | 1,764 | 47.04% |

TABLE FOUR
Surgery Centers and Hospitals in the 10-mile GSA

| Facility | City | Approved Services | Rooms | Cases | Hours | Utilization |
|--|-------------------|---|-----------|--------|--------|-------------|
| Loyola Surgery Center | Oakbrook Terrace | general surgery, neurological, orthopedic, otolaryngology, pain management, podiatry | 3 | 895 | 948 | 16.85% |
| Northwest Community Day Center | Arlington Heights | cardiovascular, gastroenterology, general surgery, OB GYN, ophthalmology, oral/max, orthopedic, otolaryngology, pain management, plastic surgery, podiatry, thoracic, urology | 10 | 7,956 | 11,409 | 60.85% |
| Northwest Community Outpatient Surgery | Des Plaines | orthopedic, podiatry | 3 | 380 | 467 | 8.30% |
| Northwest Endo Center | Arlington Heights | gastroenterology | 2 | 4,509 | 2,255 | 60.13% |
| Northwest Surgicare | Arlington Heights | general surgery, laser eye, neurological, orthopedic, otolaryngology, pain management, plastic surgery, podiatry | 5 | 2,204 | 1,594 | 17.00% |
| OrthoTec Surgery Center | Elmhurst | orthopedic, pain management | 1 | 308 | 807 | 43.04% |
| River Forest Surgery Center | River Forest | laser eye, ophthalmology, plastic surgery | 2 | 2,854 | 1,913 | 51.01% |
| Rush Oak Brook Surgery Center | Oak Brook | gastroenterology, general surgery, neurological, orthopedic, otolaryngology, pain management, plastic surgery, podiatry | 8 | 5,467 | 8,573 | 57.15% |
| Schaumburg Surgery Center | Schaumburg | orthopedic, pain management, podiatry | 3 | 2,166 | 2,808 | 49.92% |
| The Oak Brook Surgical Centre | Oak Brook | general surgery, OB/GYN, ophthalmology, orthopedic, pain management, plastic surgery, podiatry, urology | 5 | 1,526 | 1,746 | 18.62% |
| Total | | | 96 | | | |
| | | | | | | |
| Chicago Medicine AdventHealth | Glendale Heights | | 5 | 3,789 | 4,401 | 46.94% |
| Elmhurst Memorial Hospital | Elmhurst | | 21 | 21,267 | 40,529 | 102.93% |
| Gottlieb Memorial Hospital | Melrose Park | | 12 | 8,301 | 12,579 | 55.91% |
| Alexian Brothers Medical Center | Elk Grove Village | | 27 | 17,107 | 22,070 | 43.60% |
| Northwest Community Hospital | Arlington Heights | | 22 | 20,926 | 31,911 | 77.36% |
| Advocate Lutheran General Hospital | Park Ridge | | 34 | 31,062 | 54,635 | 85.70% |

TABLE FOUR

Surgery Centers and Hospitals in the 10-mile GSA

| Facility | City | Approved Services | Rooms | Cases | Hours | Utilization |
|---------------------------------------|-------------|--------------------------|--------------|--------------|--------------|--------------------|
| Ascension Resurrection Medical Center | Chicago | | 18 | 9,154 | 12,984 | 38.47% |
| Total | | | 139 | | | |

G) 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.

According to the Applicants Innovia Surgery Center is staffed in accordance with all IDPH and Medicare staffing requirements.

G) 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).

The Applicants provided the required letter committing to maintain the charges for the first 2 years of operation unless a permit is first obtained as required.

H) 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 Applicants provided the required attestation at page 77 of the Application for Permit. The Applicants have met the requirements of this criterion.

IX. Financial Viability and Economic Feasibility

A. Criterion 1120.120 – Availability of Funds

The Applicants will fund this project with the Fair Market Value of Leased Space and Equipment totaling \$1,667,275. The entirety of the project costs is for the leasing of space (\$1,117,275) and the leasing of equipment (\$550,000). The Applicants have met the requirements of this criterion.

B. Criterion 1120.130 – Financial Viability

The Applicants do not meet the net margin percentage for CY 2020 and CY 2022, the LTD/Total Capitalization and Projected Debt Coverage for CY 2022 and Days Cash on Hand for CY 2020, CY 2021, CY 2022, and the Cushion Ratio for CY 2022. The Applicants have not met requirements of this criterion.

C. Criterion 1120.140(a) – Reasonableness of Debt Financing

D. Criterion 1120.140(b) – Terms of Debt Financing

The Applicants provided a copy of the lease for the space at pages 30-31. The lease is for 15-years with an annual rental of \$103,933. The lessor is Arizona Illinois L.P. a related entity and Advantage Health Care, Ltd. The Applicants have met the requirements of this criterion.

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

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

The Applicants will fund this project with the Fair Market Value of Leased Space and Equipment totaling \$1,667,275. The entirety of the project costs is for the leasing of space (\$1,117,275) and the leasing of equipment (\$550,000). The State Board does not have a standard for these costs.

F) Criterion 1120.140 (d) – Direct Operating Costs

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

Project direct operating expenses for year 2025, the second year after project completion, are calculated at \$724.31 per procedure. According to the Applicants there will be no effect on capital costs. The State Board does not have a standard for these costs.

TABLE FIVE
Financial Viability Ratios

| | State Standard | 2020 | 2021 | 2022 | 2024 |
|---|---------------------------|-------------|-------------|-------------|-------------|
| Current Ratio | | | | | |
| Current Assets | | \$8,213 | \$2,578 | \$3,481 | \$84,036 |
| Current Liabilities | | \$1,200 | \$0 | \$2,009 | \$0 |
| Current Ratio | ≥1.5 | 6.84 | NA | 1.73 | NA |
| Net Margin % | | | | | |
| Net Income | | \$4,063 | \$29,545 | -\$340,296 | \$201,650 |
| Net Operating Revenues | | \$771,807 | \$710,148 | \$247,979 | \$663,498 |
| Net Margin % | ≥2.5% | 0.50% | 4.20% | -137.20% | 30.40% |
| LTD to Capitalization | | | | | |
| LTD | | \$0 | \$0 | \$316,010 | \$0 |
| Equity | | -\$3,787 | \$25,758 | -\$314,538 | \$84,036 |
| LTD to Capitalization | ≤80% | 0.00% | 0.00% | 21468% | 0.00% |
| Projected Debt Service | | | | | |
| Net Income | | \$40,063 | \$29,545 | -\$340,296 | \$201,650 |
| Depreciation | | 0 | 0 | 0 | 0 |
| Interest Expense | | 0 | 0 | \$8,000 | 0 |
| Principal Payments | | 0 | 0 | \$70,858 | 0 |
| Projected Debt Service | ≥1.50 | NA | NA | -4.69 | NA |
| Days Cash on Hand | | | | | |
| Cash | | \$8,213 | \$7,759 | \$3,481 | \$84,036 |
| Investments | | \$0 | \$0 | \$0 | \$0 |
| Board Designated Funds | | \$0 | \$0 | \$0 | \$0 |
| Operating Expense | | \$730,788 | \$678,099 | \$585,453 | \$461,848 |
| Depreciation | | \$0 | \$0 | \$0 | \$0 |
| Days Cash on Hand | ≥45 | 4 | 4 | 2 | 66 |
| Cushion Ratio | | | | | |
| Cash | | \$8,213 | \$7,759 | \$3,481 | \$84,036 |
| Investments | | \$0 | \$0 | \$0 | \$0 |
| Board Designated Funds | | \$0 | \$0 | \$0 | \$0 |
| Interest and Principal Pay | | \$0 | \$0 | \$70,858 | \$0 |
| Cushion Ratio | ≥3.0 | NA | NA | \$0 | NA |
| Source: Application for Permit page 110-111 | | | | | |

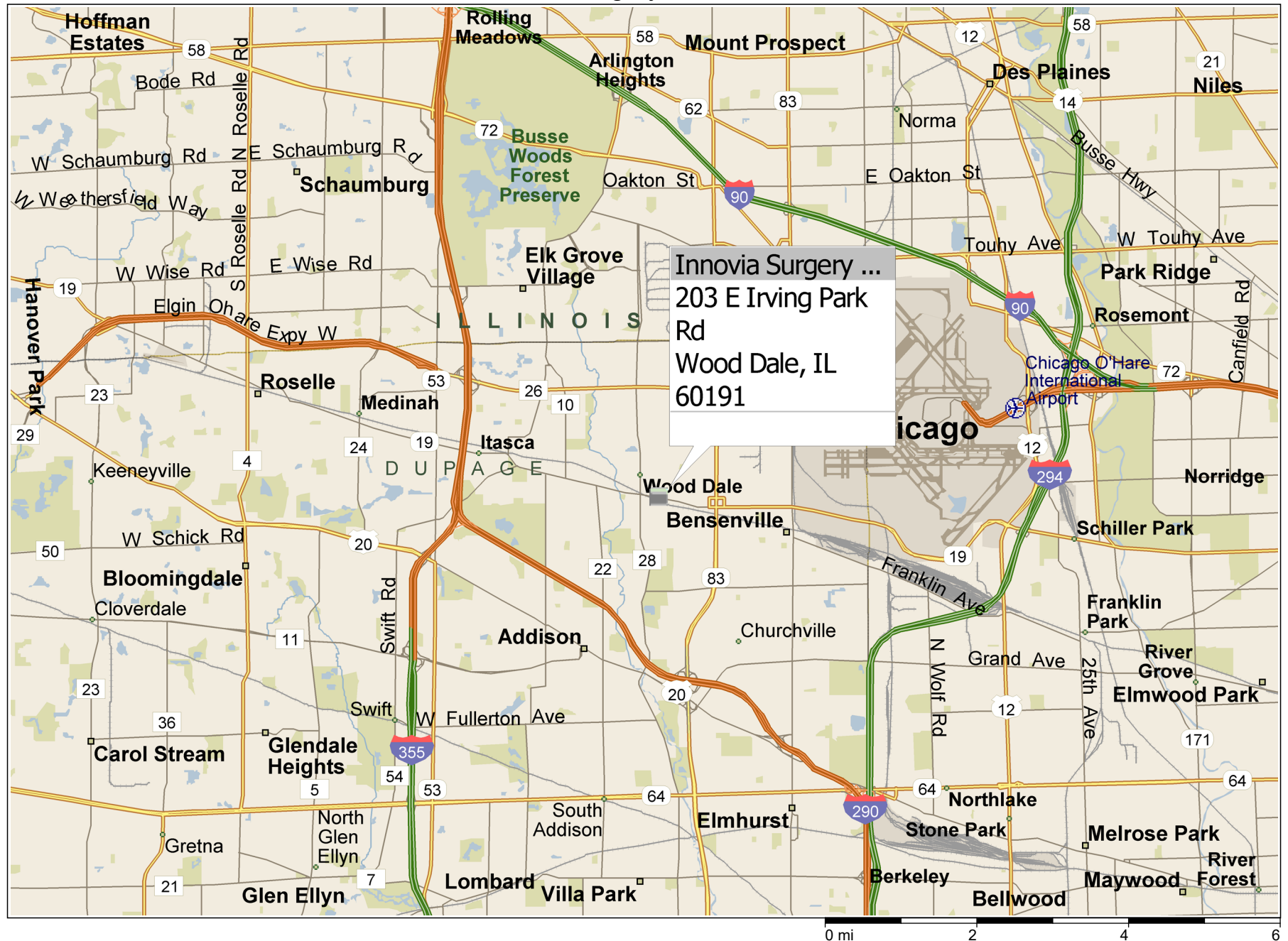
TABLE SIX
Income Statement

| | 2020 | 2021 | 2022 | 2024 |
|--|-------------|-------------|-------------|-------------|
| Net Revenue | \$771,807 | \$710,148 | \$247,979 | \$663,498 |
| Advertising | \$27,564 | \$9,425 | \$14,500 | \$0 |
| Employee Contracting | \$289,040 | \$305,375 | \$115,153 | \$141,346 |
| Outside Services | \$8,727 | \$5,571 | \$16,476 | \$17,992 |
| Professional Medical Fees | \$52,605 | \$10,664 | \$14,400 | \$15,704 |
| Equipment Rental | \$38,506 | \$7,985 | \$0 | \$27,950 |
| Depreciation | \$0 | \$0 | \$0 | \$0 |
| Insurance | \$650 | \$5,893 | \$792 | \$832 |
| Rent | \$132,323 | \$109,540 | \$144,512 | \$73,632 |
| Utilities | \$9,121 | \$13,330 | \$12,739 | \$13,936 |
| Telephone | \$951 | \$801 | \$0 | \$0 |
| Office Expense | \$26,753 | \$21,969 | \$74,851 | \$81,744 |
| Postage and Shipping | \$1,484 | \$773 | \$0 | \$0 |
| Drugs | \$65,663 | \$46,005 | \$17,635 | \$19,240 |
| Lab Fees | \$7,439 | \$5,016 | \$2,317 | \$2,496 |
| Laundry | \$14,930 | \$5,045 | \$0 | \$0 |
| Cleaning | \$9,935 | \$27,320 | \$5,940 | \$6,448 |
| Repairs | \$11,559 | \$35,176 | \$19,275 | \$21,008 |
| Landscaping | \$11,575 | \$8,070 | \$8,780 | \$9,568 |
| Legal and Accounting | \$15,500 | \$51,877 | \$130,609 | \$26,000 |
| Licenses | \$1,605 | \$2,850 | \$3,183 | \$3,432 |
| Dues and Subscription | \$1,267 | \$358 | \$499 | \$520 |
| Charitable Contributions | \$381 | \$870 | \$3,792 | \$0 |
| Bank Credit Card Fees | \$3,210 | \$4,186 | \$0 | \$0 |
| Total | \$730,788 | \$678,099 | \$585,453 | \$461,848 |
| Operating Income | \$41,019 | \$32,049 | -\$337,474 | \$201,650 |
| Source: Application for Permit pages 112-119 | | | | |

TABLE SEVEN
Balance Sheet
As December 31st

| | 2020 | 2021 | 2022 | 2024 |
|--|----------|----------|------------|----------|
| Current Assets | | | | |
| Cash | \$8,213 | \$7,759 | \$3,481 | \$84,036 |
| Accounts Receivable | \$0 | \$0 | \$0 | \$0 |
| Prepaid Expenses | \$0 | \$17,999 | \$0 | \$0 |
| Current Assets | \$8,213 | \$25,758 | \$3,481 | \$84,036 |
| Property and Equipment | | | | |
| Property and Equipment | \$66,005 | \$66,005 | \$66,005 | \$66,005 |
| Accumulated Depreciation | \$66,005 | \$66,005 | \$66,005 | \$66,005 |
| Total PPE | | | | |
| Total Assets | | | | |
| Total Assets | \$8,213 | \$25,758 | \$3,481 | \$84,036 |
| Current Liabilities | | | | |
| Accounts Payable | \$0 | \$0 | \$0 | \$0 |
| Employee Contracting Pay | \$0 | \$0 | \$0 | \$0 |
| Other | \$12,000 | \$0 | \$2,009 | \$0 |
| Loans | \$0 | \$0 | \$316,010 | \$0 |
| Total Liabilities | \$12,000 | \$0 | \$318,019 | \$0 |
| Capital | | | | |
| Paid In Capital | \$1,000 | \$1,000 | \$1,000 | \$1,000 |
| Retained Earnings | -\$4,787 | \$24,758 | -\$315,538 | \$83,036 |
| Total | -\$3,787 | \$25,758 | -\$314,538 | \$84,036 |
| Total Liabilities and Capital | | | | |
| Total Liabilities and Capital | \$8,213 | \$25,758 | \$3,481 | \$84,036 |
| Source: Application for Permit pages 112-119 | | | | |

23-046 Innovia Surgery Center - Wood Dale



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