



DOCKET ITEM NUMBER: NA	BOARD MEETING: N/A	PROJECT NUMBER: #14-034
PERMIT HOLDERS(S): Hinsdale Surgical Center, LLC		
FACILITY NAME and LOCATION: Hinsdale Surgical Center, Hinsdale		

EXECUTIVE SUMMARY

- The permit holders are requesting an alteration to Permit #14-034 Hinsdale Surgical Center, Hinsdale in accordance with 77 IAC 1130.750 – Alteration of the Project. **This is the first alteration request for this project.**
- The proposed alteration seeks to initiate two changes:
 - Increase in the Gross square footage from 16,588 GSF to 17,052 GSF (464 GSF or 2.8%)
 - Increase in overall project cost from \$9,489,675 to \$10,153,952. (\$664,277 or 6.99%)
- **The permit holders have met the requirements of Part 1110 and 1120 for the alteration of this project.**
- Only **TWO** criteria are affected by this alteration request.(see below) All other criteria remain unchanged from the Original State Board Staff Report. At the conclusion of this report are the Original State Board Staff Report and the request for alteration.
 - 77 IAC 1110.234 (a) - Size of the Project
 - 77 IAC 1120.140 (c) – Reasonableness of Project Costs

STATE BOARD STAFF REPORT
PERMIT ALTERATION REQUEST
Project #14-034

I. Project Description and Background Information

On October 7, 2014 the State Board approved Hinsdale Surgical Center, LLC (“the applicant”) to relocate an existing multi-specialty Ambulatory Surgery Treatment Center (ASTC), in Hinsdale. The original cost of the project is \$9,489,675. **The anticipated project completion date is June 30, 2016.**

II. The Proposed Alteration

A. The following proposed alterations require State Board approval:

1. any decrease in square footage greater than 5% of the project;
2. any increase in the cost of the project not to exceed 7% of the total project cost. This alteration may exceed the capital expenditure minimum in place when the permit was issued, provided that it does not exceed 7% of the total project cost;

B. Reason(s) for the Proposed Alteration:

The permit holder states the need for additional space stems from zoning requirements from the Village of Hinsdale that call for the construction of additional space to house an emergency generator and additional storage. The proposed addition will be considered non-clinical.

III. Project Uses and Sources of Funds

The permit holder is proposing to increase the cost of the project by \$664,277. Upon approval of the alteration, the project will be funded with cash and securities of \$4,621,852, the FMV of the lease of \$4,140,124, Other Funds and Sources attributed to net book value of equipment to be transferred to the replacement facility, totaling \$696,847, and a mortgage totaling \$695,129.

TABLE ONE			
Project Uses and Sources of Funds			
Uses of Funds	Original Proposal	Alteration	Difference
Modernization Contracts	\$3,798,652	\$3,798,652	\$0
Contingencies	\$340,000	\$340,000	\$0
A & E Fees	\$58,970	\$320,946	\$261,976
Consulting & Other Fees	\$0	\$162,254	\$162,254
Moveable Equipment	\$600,000	\$695,129	\$95,129
Other Costs to be Capitalized	\$703,221	\$696,847	(\$6,374)
Fair Market Value of Leased Space &	\$3,988,832	\$4,140,124	\$151,292

Equipment			
Total Uses of Funds	\$9,489,675	\$10,153,952	\$664,277
Sources of Funds	Clinical		
Cash and Securities	\$4,147,000	\$4,621,852	\$474,852
Mortgages	\$2,309,422	\$695,129	(\$1,614,293)
Leases (fair market value)	\$3,988,832	\$4,140,124	\$151,292
Total Sources of Funds	\$9,489,675	\$10,153,952	\$644,277

IV. **Applicable Rules**

77 IAC 1130.750 specifies that a permit is valid only for the project as defined in the application and any change to the project subsequent to permit issuance constitutes an Alteration to the project.

Allowable alterations that require HFPB action are:

The cumulative effect of alterations to a project shall not exceed the following:

- 1) a change in the approved number of beds or stations, provided that the change would not independently require a permit or exemption from HFSRB;
- 2) abandonment of an approved category of service established under the permit;
- 3) any increase in the square footage of the project up to 5% of the approved gross square footage;
- 4) any decrease in square footage greater than 5% of the project;
- 5) any increase in the cost of the project not to exceed 7% of the total project cost. This alteration may exceed the capital expenditure minimum in place when the permit was issued, provided that it does not exceed 7% of the total project cost;
- 6) any increase in the amount of funds to be borrowed for those permit holders that have not documented a bond rating of "A-" or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application)

V. **Summary of State Agency Findings**

All findings from the Original State Agency Report remain unchanged.

The State Agency finds the proposed Alteration appears to be in conformance with all applicable review criteria for Part 1110.

The State Agency finds the proposed Alteration appears to be in conformance with all applicable review criteria for Part 1120.

VI. Section 1110.234 Project Scope and Size

a) Size of Project – Review Criteria

- 1) The applicant shall document that the physical space proposed for the project is necessary and appropriate. The proposed square footage (SF) cannot deviate from the SF range indicated in Appendix B, or exceed the SF standard in Appendix B if the standard is a single number, unless SF can be justified by documenting, as described in subsection (a)(2).**
- 2) If the project SF is outside the standards in Appendix B, the applicant shall submit architectural floor plans (see HFSRB NOTE) of the project identifying all clinical service areas and those clinical service areas or components of those areas that do not conform to the standards. The applicant shall submit documentation of one or more of the following:**
 - A) The proposed space is appropriate and neither excessive nor deficient in relation to the scope of services provided, as justified by clinical or operational needs; supported by published data or studies, as available; and certified by the facility's Medical Director; or**
 - B) The existing facility's physical configuration has constraints that require an architectural design that exceeds the standards of Appendix B, as documented by architectural drawings delineating the constraints or impediments, in accordance with this subsection (a); or**
 - C) Additional space is mandated by governmental or certification agency requirements that were not in existence when the Appendix B standards were adopted.**

HFSRB NOTE: Architectural floor plans submitted shall identify clinical service areas or components and shall designate the areas in square footage. Architectural floor plans must be of sufficient accuracy and format to allow measurement. Format may be either a digital drawing format (.dwg file or equivalent) or a measurable paper copy 1/16th scale or larger.

The permit holders are increasing the gross square feet of the project by 464 GSF of non-clinical space. The total GSF will be 17,052 GSF or 507 GSF per station. Board Staff notes the size increase has no effect on the size of project criterion, and a positive finding remains.

TABLE TWO Size of the Project					
Clinical Department	Cost	Existing GSF	Approved GSF	Proposed Alteration	Difference
ASTC	\$8,395,021	0	16,588	17,052	464
Total	\$8,395,021	0	16,588	17,052	464

THE STATE BOARD STAFF FINDS THE PROPOSED ALTERATION APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF THE PROJECT CRITERION (77 IAC 1110.234 (a)).

VII. Section 1120.140 - Economic Feasibility

A) Reasonableness of Project and Related Costs – Review Criterion

The applicant shall document that the estimated project costs are reasonable and shall document compliance with the State Board Standard.

Architectural & Engineering Fees - These altered costs are \$320,496, which is 9.3% of the Modernization and Contingencies Cost. This complies with the State standard of 6.54% to 9.82%.

Consulting & Other Fees – These altered costs are 162,254. The State Board does not have a standard for these costs.

Moveable or Other Equipment – These altered costs are \$695,129, or \$173,782 per room. This appears reasonable to the State Board Standard of \$435,131.

Fair Market Value of Leased Space or Equipment – These altered costs are \$4,140,124. The State Board does not have a standard for these costs.

Other Costs to be Capitalized – These costs total \$696,847. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED ALTERATION APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.140 (c)).

VIII. Other Information

Included with this report are the alteration request and the permit letter.