



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

DOCKET NUMBER H-04	BOARD MEETING: October 7, 2014	PROJECT NO: 14-036	PROJECT COSTS: Original: \$3,123,400
FACILITY NAME: Elmhurst Medical & Surgical Center		CITY: Elmhurst	
TYPE OF PROJECT: Non-Substantive			HSA: VII

DESCRIPTION: The applicants (Elmhurst Medical & Surgical Center Corporation, River North Surgical Suites, Inc., Chicago Podiatric Surgeons, P.C., TEC West Properties, LLC, and TEC Surgical Properties, LLC) are proposing a change of ownership of a single specialty ambulatory surgical treatment center in Elmhurst, Illinois, and properties related to the ASTC, in Elgin and Lombard. The anticipated project completion date is December 15, 2014. The estimated cost of the project is \$3,123,400. The ASTC portion of the project cost is \$1,475,000.

The State Board Staff notes the entire transaction cost was included because each transaction was interdependent on the other. The State Board defines "Interdependent Components" to mean components of construction or modification that are architecturally or programmatically interrelated to the extent that undertaking one or more of the components compels the other components to be undertaken. *Unless otherwise interdependent, or submitted as one project by the applicant, components of construction or modification undertaken by means of a single construction contract or financed through the issuance of a single debt instrument shall not be grouped together as one project.*[20 ILCS 3960/3]

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Elmhurst Medical & Surgical Center Corporation, River North Surgical Suites, Inc., Chicago Podiatric Surgeons, P.C., TEC West Properties, LLC, and TEC Surgical Properties, LLC) are proposing a change of ownership of a single specialty ambulatory surgical treatment center in Elmhurst, Illinois, and properties related to the ASTC, in Elgin and Lombard. The anticipated project completion date is December 15, 2014. The estimated cost of the project is \$3,123,400. The ASTC portion of the project cost is \$1,475,000.
- The State Board Staff Notes that Elmhurst Medical & Surgical Center is the only licensed health care facility. The facilities in Lombard and Elgin are not licensed health care facilities.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project involves a change in control of a health care facility resulting in a change in the current licensee. This change in control is considered a change of ownership and requires approval of the Illinois Health Facilities and Services Review Board.

BACKGROUND:

- On January 12, 2010 the State Board approved Permit #09-019 for the establishment of a single specialty ASTC (Elmhurst Medical & Surgical Center). The surgery center performs podiatric surgical procedures exclusively.
- Dr. Esther Lyon, DPM owns the **single specialty ASTC (Elmhurst Medical & Surgical Center)** located at 340 W. Butterfield Road, Elmhurst, Illinois, a **podiatry practice** located at 6 East St. Charles Road, Lombard, Illinois and a **podiatry practice at 1590 Weatherstone Lane, # 1, Elgin, Illinois.**
- The purchaser (River North Surgical Suites, Inc.) does not own any other licensed health care facility.

REASON FOR TRANSACTION:

- The application contains letters sent by the applicant (Dr. Esther Lyon), to her patient population, alluding to a significant career change requiring her to relinquish ownership in the ASTC and podiatric practice.
- Upon transaction completion, Dr. Lyon's relationship with the ASTC will be terminated.

TRANSACTION:

- Dr Lyon proposes to relinquish her professional practice, and all associated properties through interrelated transactions. They are as follows:
 - o River North Surgical Suites, Inc. will purchase the **ASTC practice/business** for \$975,000.
 - o TEC Surgical Properties, LLC, will purchase the **ASTC-related real estate** in Elmhurst for \$500,000.
 - o Chicago Podiatric Surgeons, P.C. will purchase the podiatric practices/business in Lombard (\$700,000), and Elgin (\$175,000).
 - o TEC West Properties will purchase the real estate associated with the Lombard facility (\$750,000).
 - o Chicago Podiatric Surgeons, P.C., will lease the space occupied by the Elgin practice for a period not to exceed one year (\$23,400).
 - o Upon transaction completion, Dr. Lyon will relinquish control of the ASTC/practice, and the purchasing parties, owned by Dr. Thomas Carr, DPM and Ellen Carr, will assume all operational responsibility.

- o Ellen and Dr. Thomas Carr, D.P.M., own River North Surgical Suites, Inc., TEC West Properties, and TEC Surgical Properties, LLC.

PUBLIC HEARING/COMMENT

- A public hearing was offered on this project; however, no hearing was requested. State Board Staff have not received letters of support or opposition regarding this project.

FINANCIAL AND ECONOMIC FEASIBILITY:

- The proposed change of ownership will be funded through cash/liquid securities, bank loans, and a lease.
- Dr. Thomas Carr, DPM, and his wife, Ellen Carr, will be responsible for providing the cash portion of the financing.
- Mrs. and Dr. Carr note the mortgage portion of the project will be provided through two loans from Lorain National Bank. A commitment letter from Lorain National Bank is located on page 312 of the application.
- All transaction-related documents, to include the lease agreement, are located in attachment 7 (page 107), of the application.

WHAT WE FOUND:

- The applicants have successfully addressed all of the criteria.

STATE BOARD STAFF REPORT
Elmhurst Medical & Surgical Center
PROJECT #14-036

APPLICATION CHRONOLOGY	
Applicants	Elmhurst Medical & Surgical Center Corporation River North Surgical Suites, Inc. Chicago Podiatric Surgeons, P.C. TEC West Properties, LLC TEC Surgical Properties, LLC
Facility Name	Elmhurst Medical & Surgical Center
Location	Elmhurst Illinois
Application Received	July 24, 2014
Application Deemed Complete	July 25, 2014
Can Applicants Request a Deferral?	Yes

I. The Proposed Project

The applicants (Elmhurst Medical & Surgical Center Corporation, River North Surgical Suites, Inc., Chicago Podiatric Surgeons, P.C., TEC West Properties, LLC, and TEC Surgical Properties, LLC) are proposing a change of ownership of a single specialty ambulatory surgical treatment center in Elmhurst, Illinois, and properties related to the ASTC, in Elgin and Lombard. The anticipated project completion date is December 15, 2014. The estimated cost of the project is \$3,123,400. The ASTC portion of the project cost is \$1,475,000.

II. Summary of Findings

- A. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

Elmhurst Medical & Surgical Center Corporation, River North Surgical Suites, Inc., Chicago Podiatric Surgeons, P.C., TEC West Properties, LLC, and TEC Surgical Properties, LLC are the applicants. Elmhurst Medical & Surgical Center Corporation (the “Seller”) is owned by Dr. Esther Lyon DPM. Dr Lyon proposes to relinquish all ownership interest in a single specialty ASTC, its assets, and ASTC-related properties in Lombard & Elgin.

Dr Thomas Carr, DPM, and his wife, Ellen Carr, wholly own the purchasing entities, having sole ownership interests in River North Surgical Suites, Inc., Chicago Podiatric Surgeons, P.C., TEC West Properties, LLC, and TEC Surgical Properties, LLC. River

North Surgical Suites, Inc. will be the ASTC licensee and the owner of the site will be TEC Surgical Properties, LLC.

The land acquisition cost related to this transaction is \$500,000, and start-up costs/operating deficit for this project are estimated at \$100,000. This is a non-substantive project subject to both a Part 1110 and Part 1120 review. Project obligation will occur after permit issuance.

IV. **Summary of Support and Opposition Letters**

No public hearing was requested and no letters of support or letters of opposition were received by the State Board Staff.

V. **The Proposed Project**

The applicants propose to transfer ownership of a single specialty ASTC, its assets, and related properties. Elmhurst Medical & Surgical Center Corporation (Dr. Esther Lyons, DPM the "Seller") is the sole owner of the ASTC and its assets. River North Surgical Suites, Inc., Chicago Podiatric Surgeons, P.C., TEC West Properties, LLC, and TEC Surgical Properties, LLC (the "Purchaser") are entities owned by Dr. Thomas Carr, DPM, and his wife Ellen. This change in control of a health care facility is considered a change of ownership under the Illinois Health Facilities Planning Act and must be approved by the Illinois Health Facilities and Services Review Board.

VI. **Project Costs and Sources of Funds**

The total estimated project cost is \$3,123,400. The proposed project is being funded with cash and securities (\$310,000), mortgages (\$2,790,000), and the Fair Market Value of a Lease (\$23,400). The clinical column in Table One represents the ASTC transaction. Table One outlines the project's costs and uses of funds.

TABLE ONE			
Project Costs and Sources of Funds			
	CLINICAL	NON CLINICAL	TOTAL
ASTC Acquisition	\$1,475,000	\$0	\$1,475,000
Fair Market Value (FMV) of Leased Space or Equipment	\$0	\$23,400	\$23,400
Acquisition of Businesses/Practices	\$0	\$1,625,000	\$1,625,000
TOTAL USES OF FUNDS	\$1,475,000	\$1,648,400	\$3,123,400
SOURCE OF FUNDS			
Cash and Securities	\$147,500	\$162,500	\$310,000
Mortgages	\$1,327,500	\$1,462,500	\$2,790,000
Leases (Fair Market Value)	\$0	\$23,400	\$23,400
TOTAL SOURCES OF FUNDS	\$1,475,000	\$1,648,400	\$3,123,400

VII. Safety Net/Charity Care

The proposed Transaction set forth in the Asset Transfer Agreement between Elmhurst Medical & Surgical Center Corporation, River North Surgical Suites, Inc., Chicago Podiatric Surgeons, P.C., TEC West Properties, LLC, and TEC Surgical Properties, LLC, involves a change of ownership. A change of ownership constitutes a non-substantive project. Accordingly, this criterion is not applicable. Under the terms of the proposed Transaction (which is merely a change of ownership of an existing healthcare facility) the Surgery Center will remain open with no changes in the services rendered at the Surgery Center. Thus, the proposed Transaction will have no impact on the safety net services of the other healthcare care providers in the Surgery Center's service area.

The projected payor mix was provided for the Surgery Center going forward. **Elmhurst Medical & Surgical Center** did not provide Medicare, Medicaid or Charity Care in 2012.

TABLE TWO			
Projected Payor Mix			
Table Two		HSA VII	HSA VII ASTC
Anticipated Payor Mix		Hospital Payor	Payor Mix ⁽²⁾
Elmhurst Medical & Surgical Center		Mix ⁽¹⁾	
	Projected		
Medicare	50%	31.9%	26.4%
Private Insurance	40%	55.76%	68.4%
Medicaid	5%	8.13%	.9%
Charity Care	2%	2.6%	.25
Other	3%	4.21%	4.2%
1. Payor Mix for Hospital in HSA VII is CY 2013 data			
2. Payor Mix for ASTC's is CY 2012 data			

VIII. Section 1110.230 - Project Purpose, Background and Alternatives

A) Criterion 1110.230 - Background of Applicant

An applicant must demonstrate that it is fit, willing and able, and *has the qualifications, background and character, to adequately provide a proper standard of health care service for the community.*

Elmhurst Medical & Surgical Center Corporation (Dr Esther Lyons, DPM. the "Seller") is the sole owner of the practice and its assets. River North Surgical Suites, Inc., Chicago Podiatric Surgeons, P.C., TEC West Properties, LLC, and TEC Surgical Properties, LLC (the "Purchaser") are entities owned by Dr. Thomas Carr, DPM., and his wife Ellen. This change in control of a health care facility is considered a change of ownership under the Illinois Health Facilities Planning Act and must be approved by the Illinois Health Facilities and Services Review Board.

B) Criterion 1110.230 - Purpose of the Project

The applicant shall 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 applicant shall define the planning area or market area, or other, per the applicant's definition.

The purpose of the proposed transaction is to continue in the provision of podiatric surgical services, and ensure the health and well being of the market population, previously served by Elmhurst Medical & Surgical Corporation. The acquiring entities propose to assume control of the existing podiatric practice, its surgical facility, and related entities in Elgin and Lombard. It is anticipated that 60% to 70% of the patients served by the ASTC will be residents of DuPage County.

IX. Section 1110.240 - Changes of Ownership, Mergers and Consolidations

A) Impact Statement

The applicants note the proposed change of ownership will have no negative impact on services provided, and will continue to operate as a single-specialty ASTC, providing podiatric surgical services exclusively. The transaction results from the seller desiring to reduce the scope of her surgical practice and the buyer desiring to acquire an ASTC. The costs associated with the project are transaction-related, and the community is expected to benefit from the low-cost alternative to hospital based podiatric surgical services.

B) Access

The applicant supplied a current copy of its charity care policy/financial assistance policy (application, p. 301). The purchasing party notes the ASTC will continue to operate under said policy, and has no intention to revise the policy, after completion of the transaction. The acquiring entity attestS that any future revisions to the current policy will not result in more restrictive access to the services offered at the ASTC.

C) Health Care System

The purchasing applicants attest that the change of ownership will not have a negative impact on area providers. The applicants note the facility will continue to provide podiatric surgical services exclusively, and surgeons expected to refer patients to the ASTC, do not currently practice at any facility in the area. The purchasing applicants will also be purchasing the practice of the relinquishing entity, and these patients will continue to have access to the facility, after transaction completion. The ASTC currently does not have a transfer agreement with an area hospital, but notes there is one (Elmhurst Memorial Hospital) located approximately 1 mile away, and another (Adventist Hinsdale Hospital), approximately 6 miles away. It is the intent of the purchasing party to enter into a transfer/referral agreement with one of the area hospitals prior to the change in licensure. The applicants note having limited interaction with the community, but intend to participate in community outreach activities (health fairs and screenings), in the future.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE CHANGE OF OWNERSHIP CRITERION (77 IAC 1110.240).

X. Section 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The proposed transaction will be funded with cash and securities (\$310,000), mortgages (\$2,790,000), and the Fair Market Value (FMV) of the Lease (\$23,400). The purchasing applicants supplied a letter of commitment from Lorain National Bank (application, p. 312), and proof of sufficient funds to cover the cash and securities portion. It appears the applicants have met the requirements for waiver of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120).

XI. Section 1120.130 - Financial Viability – Review Criteria

The applicant shall document that the applicant is financially viable.

The proposed transaction will be funded with cash and securities (\$310,000), mortgages (\$2,790,000), and the Fair Market Value (FMV) of the Lease (\$23,400). The purchasing applicants supplied a letter of commitment from Lorain National Bank (application, p. 312), and proof of sufficient funds to cover the cash and securities portion. It appears the applicants have met the requirements for waiver of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY CRITERION (77 IAC 1120.130).

XII. Section 1120.140 - Economic Feasibility – Review Criteria

- A) Criterion 1120.140(a) - Reasonableness of Financing Arrangements**
- B) Criterion 1120.140 (b) - Conditions of Debt Financing**
- C) Criterion 1120.140 (c) - Reasonableness of Project and Related Cost**

The proposed transaction is a change of ownership, and all project related cost pertain to the purchase of assets, real estate, and the podiatric practice of Dr. Esther Lyon, DPM. The applicant supplied proof of financial viability in previous criteria, which also meet the requirements of the above mentioned criteria.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY CRITERION (77 IAC 1120.140).

D) Criterion 1120.140 (d) - Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

The projected operating cost per unit of service is \$780.00. The applicant has met this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS CRITERION (77 IAC 1120.140 (d))

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

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The total effect of the project on capital costs is \$371.11 per unit of service. The applicant has met this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1120.140 (e))

14-036 Elmhurst Medical & Surgical Center - Elmhurst



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Reference Numbers Facility Id 7003154
 Health Service Area 007 Planning Service Area 043
 ELMHURST MEDICAL & SURGICAL CENTER P.C.
 340 WEST BUTTERFIELD RD, SUITE 1B
 ELMHURST, IL 60126

Number of Operating Rooms 1
 Procedure Rooms 0
 Exam Rooms 1
 Number of Recovery Stations Stage 1 3
 Number of Recovery Stations Stage 2 0

Administrator Esther H. Lyon
Date Complete 2/21/2013

Type of Ownership
 Sole Proprietorship

Registered Agent

Property Owner

Legal Owner(s)

Esther Lyon

HOSPITAL TRANSFER RELATIONSHIPS

HOSPITAL NAME	NUMBER OF PATIENTS
ELMHURST MEMORIAL HOSPITAL	0
	0
	0
	0
	0

STAFFING PATTERNS

PERSONNEL	FULL-TIME EQUIVALENTS
Administrator	1.00
Physicians	0.00
Nurse Anesthetists	0.00
Director of Nurses	0.00
Registered Nurses	0.00
Certified Aides	0.00
Other Health Profs.	0.00
Other Non-Health Profs	0.00
TOTAL	1.00

DAYS AND HOURS OF OPERATION

Monday	8
Tuesday	0
Wednesday	0
Thursday	0
Friday	0
Saturday	0
Sunday	0

NUMBER OF PATIENTS BY AGE GROUP

AGE	MALE	FEMALE	TOTAL
0-14 years	0	0	0
15-44 years	33	54	87
45-64 years	46	88	134
65-74 years	4	7	11
75+ years	0	0	0
TOTAL	83	149	232

NUMBER OF PATIENTS BY PRIMARY PAYMENT SOURCE

PAYMENT SOURCE	MALE	FEMALE	TOTAL
Medicaid	0	0	0
Medicare	0	7	7
Other Public	0	0	0
Insurance	83	142	225
Private Pay	0	0	0
Charity Care	0	0	0
TOTAL	83	149	232

NET REVENUE BY PAYOR SOURCE FOR FISCAL YEAR

Medicare	Medicaid	Other Public	Private Insurance	Private Pay	TOTALS	Charity Care Expense	Charity Care Expense as % of Total Net Revenue
0.0%	0.0%	0.0%	100.0%	0.0%	100.0%		
0	0	0	898,872	0	898,872	0	0%

OPERATING ROOM UTILIZATION FOR THE REPORTING YEAR

SURGERY AREA	TOTAL SURGERIES	SURGERY TIME (HOURS)	SURGERY PREP AND CLEAN-UP TIME (HOURS)	TOTAL SURGERY TIME (HOURS)	AVERAGE CASE TIME (HOURS)
Cardiovascular	0	0.00	0.00	0.00	0.00
Dermatology	0	0.00	0.00	0.00	0.00
Gastroenterology	0	0.00	0.00	0.00	0.00
General Surgery	0	0.00	0.00	0.00	0.00
Laser Eye Surgery	0	0.00	0.00	0.00	0.00
Neurological	0	0.00	0.00	0.00	0.00
OB/Gynecology	0	0.00	0.00	0.00	0.00
Ophthalmology	0	0.00	0.00	0.00	0.00
Oral/Maxillofacial	0	0.00	0.00	0.00	0.00
Orthopedic	0	0.00	0.00	0.00	0.00
Otolaryngology	0	0.00	0.00	0.00	0.00
Pain Management	0	0.00	0.00	0.00	0.00
Plastic	0	0.00	0.00	0.00	0.00
Podiatry	232	232.00	117.00	349.00	1.50
Thoracic	0	0.00	0.00	0.00	0.00
Urology	0	0.00	0.00	0.00	0.00
TOTAL	232	232.00	117.00	349.00	1.50

PROCEDURE ROOM UTILIZATION FOR THE REPORTING YEAR

SURGERY AREA	PROCEDURE ROOMS	TOTAL SURGERIES	SURGERY TIME (HOURS)	PREP AND CLEAN-UP TIME (HOURS)	TOTAL SURGERY TIME (HOURS)	AVERAGE CASE TIME (HOURS)
Cardiac Catheteriza	0	0	0	0	0	0.00
Gastro-Intestinal	0	0	0	0	0	0.00
Laser Eye	0	0	0	0	0	0.00
Pain Management	0	0	0	0	0	0.00
TOTALS	0	0	0	0	0	0.00