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Via Overnight Mail

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Ms. Courtney Avery
Administrator, Illinois Health Facilities & Services Review Board
525 W. Jefferson St., 2nd Floor
Springfield, IL 62761

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

15-005

Dear Ms. Avery:

Thank you for the opportunity to appear before the Illinois Health Facilities and Services Review Board again and to present additional material responsive to the Board's Intent to Deny vote. This project received four favorable votes and four negative votes, **and meets 20 out of 22 of the Board's criteria.**

The four negative votes appeared to relate to the findings of excess operating room ("OR") capacity in the area and potential negative impact on other providers. This information addresses these two issues.

Excess Capacity.

This project proposes effectively relocating two procedure rooms where endoscopic procedures are currently done at Presence Holy Family Medical Center ("PHFMC") to a proposed ambulatory surgical center which will be located in a medical office building adjacent to PHFMC. **It does not change access to surgical services in the area.** Furthermore, while there are many operating rooms (hospital based and ASC based) in the area the following is relevant:

- 1) hospitals charge more than ASCs for the same procedure and Presence has submitted a charge statement showing that its hospital charges are more than the charges for the same procedures at the proposed ASC (which is typically the case with ASC versus hospital charges for outpatient surgery);
- 2) many ASCs in the area do not offer endoscopy procedures. Along these same lines, a hospital OR is not an OR is not an OR. Many rooms are reserved for certain types of procedures because of special equipment or in the event of a trauma and others are full due to elective procedures being scheduled during the day time hours – outpatient surgeries are not done in the evening, while acute procedures at a hospital may be done in the evening hours.
- 3) many ASCs do not take Medicaid recipients (only 2.7% in the area which is half of the number of Medicaid patients the proposed ASC anticipates based on Dr. Mahdavian's – the referring physician's - practice breakdown by payer and referrals by payer). Further assurance of

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access for all patient's, regardless of ability to pay, is the fact that PHFMC will own 51% of the ASC. PHFMC is a not for profit and its financial assistance policy will apply to the ASC.

The above points reflect that excess capacity is not a concern for this project. No additional surgical capacity will be added to the service area. Rather two procedure rooms that exist and are used for endoscopy at PHFMC will be relocated to a medical office building next door and operated in an ASC setting, which will be more patient friendly and less costly for patients. The two rooms physically left at PHFMC may be used for eye procedures that are currently done in a fully equipped OR versus a procedure room, or may be completely repurposed space.

Lack of Negative Impact On Area Providers.

Not one hospital or ASC has opposed this project, which is a strong indication there will be no negative impact on area providers. This is in part due to the fact the ORs already exist and treat endoscopy patients. It also relates to the fact that Dr. Mahdavian has indicated that his referral pattern will not be affected. In 2014 Dr. Mahdavian's practice referred 9,616 patients for surgical services to different hospitals and ASCs in the service area, including PHFMC. His practice growth (based on number of patients seen and referred for outpatient endoscopy between 2012-2014) has grown on average 13.72 percent. In addition, his practice has added one new gastroenterologist since this application was filed. Typically, a new physician would have a patient load of about 1,500-1,800 patients, with 1,000 referrals to surgery. Given these combined growth numbers alone by 2019 (two years after opening), the proposed ASC would have 3,164 patients justifying two operating rooms, without having to change historical referral pattern to existing hospitals or ASCs in the area to which Dr. Mahdavian's practice currently refers (see attached).

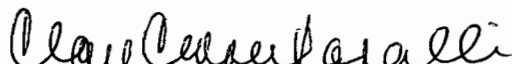
As stated in the application this project will not result in any negative impact on other area providers (also supported by the lack of opposition to this project).

Summary.

PHFMC is attempting through this project to:

- 1) align value, convenience and costs for its patients in conjunction with its physician partners;
- 2) allow the two procedure rooms at issue to be used for acute procedures for its inpatients (Presence is a long term care acute hospital) while putting the outpatient procedure rooms in an adjacent medical office building where they will be right next to the physician practice that most uses them (again aligning value, convenience and quality of care).

Respectfully submitted,


Clare Connor Ranalli

Referring Physicians' Projections

Base year: 9,616 outpatient surgeries in 2014.

Three Year Average Growth: 13.72% outpatient surgery referral growth over three years, 2012 – 2013 and 2014 average growth of Dr. Mahdavian's practice (based on OP surgery referrals) resulting in an additional 433 patient referrals a year (using base year of 2014 alone without incremental increase in each growth year) for a total of 2,164 new surgical referrals by 2019, just based on practice growth.

One New Physician: One new physician was recently added to the Lakeshore Gastroenterology practice (after 2014 to his numbers were not included in the 9,610 2014 referrals). He will generate additional referrals. In 2014 the average number of referrals per practice for a new physician for outpatient surgery is 1,000. Using this average number, this doctor will refer an additional 1,000 patients for surgery in 2019 without any growth in his practice from now until then. This is a very conservative number.

2,164 new patients (based on three year average growth from base referral year of 2014 and projected to 2019), plus 1,000 (new doctor referrals) totals 3,164 new referrals by 2019.

These new referrals alone, with a one hour per procedure time frame as referenced in the CON application, support two ORs at the proposed ASC.

Utilization - 2019

Number of Referrals	Hours per Procedure	Total Hours	State Standard	Rooms Supported
3,164 procedures	1	3,164	1,500 hours per room	2-3

The historical referral volume of 9,616 cases will continue to be available to other area providers the practice currently refers to, resulting in no impact on other area providers.