



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-05	BOARD MEETING: April 21, 2015	PROJECT NO: 15-010	PROJECT COST: Original: \$1,300,000
FACILITY NAME: Hyde Park Surgery Center		CITY: Chicago	
TYPE OF PROJECT: Non-Substantive			HSA: VI

PROJECT DESCRIPTION: The applicant (Hyde Park Surgical Center, LLC) is proposing a change of ownership of Hyde Park Surgery Center a multi-specialty ambulatory surgical treatment center located in Chicago, Illinois. The cost of the project is \$1,300,000 and the expected completion date is April 30, 2015.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicant (Hyde Park Surgical Center, LLC) is proposing a change of ownership of Hyde Park Surgery Center a multi-specialty ambulatory surgical treatment center located in Chicago, Illinois. The cost of the project is \$1,300,000 and the expected completion date is April 30, 2015.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project proposes a change of ownership of a health care facility as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960).

PURPOSE OF THE PROJECT:

- The purpose of the project is to complete a change of ownership of a health care facility.

PUBLIC HEARING/COMMENT:

- A public hearing was offered on this project, no hearing was requested. No letters of support or opposition were received by the State Board Staff.

TRANSACTION:

- Hyde Park Surgery Center is a multi-specialty ASTC and is currently owned by Dr. Fortunee Massuda. The applicant (Hyde Park Surgical Center, LLC) is proposing to purchase Hyde Park Surgery Center for \$1,300,000 which will be funded by \$325,000 in cash from the members of Hyde Park Surgical Center, LLC and a 5 year loan of \$975,000. Evergreen Bank Group has committed to fund the acquisition loan of \$975,000 and a working capital line of credit of \$150,000. The loans are secured by a first lien on all business assets including account receivable and specific equipment. The line of credit is for 1 year at prime floating with floor of 4.25% and the acquisition loan is for 5 years at 5.25%. The members of Hyde Park Surgical Center, LLC are personally guaranteeing the loans. Once the purchase is completed the applicant will lease the Surgery Center from 1644 E 53rd, LLC; the owner of the site.

CONCLUSIONS:

- The applicant has successfully addressed all requirements of the State Board.

STATE BOARD STAFF REPORT

Project #15-010

Hyde Park Surgery Center

APPLICATION CHRONOLOGY	
Applicants(s)	Hyde Park Surgical Center, LLC
Facility Name	Hyde Park Surgery Center
Location	1644 E. 53 rd Street, Suite 108A, Chicago, Illinois
Permit Holder	Hyde Park Surgical Center, LLC
Operating Entity	Hyde Park Surgical Center, LLC
Owner of Site	1644 E 53 rd LLC
Application Received	February 25, 2015
Application Deemed Complete	February 25, 2015
Review Period Ends	April 26, 2015
Review Period Extended by the State Board Staff?	No
Can the applicant request a deferral?	Yes

I. Project Description

The applicant (Hyde Park Surgical Center, LLC) is proposing a change of ownership of Hyde Park Surgery Center a multi-specialty ambulatory surgical treatment center located in Chicago, Illinois. The cost of the project is \$1,300,000 and the expected completion date is April 30, 2015.

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 Description

The applicant is Hyde Park Surgical Center, LLC a new entity. The applicant is proposing to purchase Hyde Park Surgery Center a multi-specialty ambulatory treatment center that has been approved to perform ophthalmology, pain management and podiatry. The surgery center is located at 1644 E. 53rd Street, Suite 108A, Chicago, Illinois in Health Service Area VI. The operating entity and licensee will be Hyde Park Surgical Center, LLC and the owner of the site is 1644 E 53rd Street.

IV. Health Service Area VI

HSA VI includes the City of Chicago. There are 22 ASTC's in HSA VI with 54 operating rooms and 9 procedure rooms operating at approximately 47% utilization in CY 2013 (most current data available). There are 38 hospitals in the HSA VI service area with 433 operating rooms and 134 procedure rooms operating at approximately 68% utilization (most current data available). The payor mix for the Hospitals, ASTCs and Hyde Park Surgery Center located in the HSA 6 service area for CY 2013 are presented in the table below.

TABLE ONE			
Payor Mix CY 2013 ⁽¹⁾			
	HSA VI Hospital Payor Mix	HSA VI ASTC Payor Mix	Hyde Park Surgery Ctr. Payor Mix
Medicare	26.7%	7.8%	28.4%
Medicaid	25.8%	.6%	4.1%
Other Public	.94%	0.0%	.8%
Private Insurance	43.3%	78.6%	66.1%
Private Pay	3.13%	12.9%	.7%
Charity Care	5.86%	.21%	1%
1. Information taken from 2013 Profile information provided by the health care facilities.			

TABLE TWO		
Hyde Park Surgery Center Charity Care		
	2012	2013
Net Patient Revenue	\$913,567.34	\$816,013.58
Amount of Charity Care (charges)	\$6,400.00	\$6,114.45
Cost of Charity Care	\$6,400.00	\$6,114.45
Cost of Charity Care/Net Revenue	0.70%	0.74%

V. Project Costs

The cost of the transaction is \$1,300,000 and is being funded by \$325,000 in cash and a loan in the amount of \$975,000.

V. Section 1110.230 - Purpose of the Project, Background of the Applicant, Alternatives to the Project

A) Criterion 1110.230 (a) – Purpose of the Project

An applicant proposing a change of ownership must provide documentation of the purpose of the project.

The purpose of the project is to seek approval of a change of ownership of a health care facility – Hyde Park Surgery Center. The members of Hyde Park Surgical Center, LLC are Darrel Saldanha, M.D., an interventional pain management anesthesiologist currently has a pain management practice (Midwest Anesthesia and Pain Specialists, S.C.) with six

locations and six pain management physicians. David Saldanha, M.D., is an interventional radiologist. He currently has an interventional radiology practice. Per the applicant if this Project is approved Darrel Saldanha and David Saldanha intend to treat their own patients and to recruit new physicians to the Surgery Center. The applicant intend to make additional capital expenditures at the Surgery Center in the future to meet the equipment needs of their own practices and the practices of the newly recruited physicians subject to certificate of need approval.

B) Criterion 1110.230 (b) - Background of Applicant

An applicant must provide documentation that they have not had any adverse actions three years prior to submittal of the application for permit. *“Adverse Action means a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois.” (77 IAC 1130.140)*

Hyde Park Surgical Center, LLC is purchasing Hyde Park Surgery Center. The members of Hyde Park Surgical Center, LLC are Darrel Saldanha, M.D., a 90% owner of Hyde Park Surgical Center, LLC, and David Saldanha, M.D., a 10% owner of Hyde Park Surgical Center, LLC. Hyde Park Surgical Center, LLC is a new entity and does not own any Illinois licensed health care facility.

Hyde Park Surgical Center, LLC is in good standing with the State of Illinois. Hyde Park Surgery Center is a going concern and is in compliance with Illinois Executive Order #2005-5 and the Historic Resources Preservation Act. No construction or modernization is proposed with this change of ownership.

The applicant have authorized the Illinois Health Facilities & Services Review Board and the Illinois Department of Public Health to access all information necessary to verify any documentation or information submitted with this application and authorize the State Board and IDPH to obtain any additional documentation or information which the State Board or IDPH finds pertinent and necessary to process this application.

C) Criterion 1110.230 (c) – Alternatives to Proposed Project

An applicant must provide documentation of the alternatives to the proposed project that were evaluated.

The Applicant considered four other alternatives to the proposed project.

- Purchase another surgery center;
- Purchase less than a controlling interest in the Hyde Park Surgery Center
- Do nothing;
- Purchase the Surgery Center and obtain a Certificate of Need.

The applicant has stated *“that they have been searching for a surgery center to purchase in order to treat their own patients in a licensed surgery center setting. Hyde Park*

Surgery Center is well managed, well maintained, has an extensive compliance program and provides quality care to its patients. Darrel Saldanha is currently on the medical staff at the Hyde Park Surgery Center and is personally familiar with the internal working of the Hyde Park Surgery Center and the quality of care provided at the Hyde Park Surgery Center. In addition, the Seller negotiated in good faith and demonstrated a clear desire to facilitate a transaction. For all of these reasons, the Applicant elected to move forward with the Seller and execute the Asset Purchase Agreement (versus purchasing another surgery center).

VI. Section 1110.240 Changes of Ownership, Mergers and Consolidations
An applicant proposing a change of ownership must provide an impact statement and how the proposed change of ownership will improve access.

- A) Criterion 1110.240 (b) - Impact Statement
- B) Criterion 1110.240 (c) - Access
- C) Criterion 1110.240 (d) - Health Care System

Hyde Park Surgery Center is currently licensed as an ambulatory surgical treatment center with one operating room. Following the transaction, the Surgery Center will continue to be licensed as a multi-specialty ambulatory surgical treatment center with one operating room. The Buyer intends to maintain and enhance patient access to health care services in the service area through the recruitment of new physicians and increased coordination with other service area healthcare providers. No significant additions or reductions in the number of clinical employees at the Surgery Center are anticipated now or for the next two years as a result of the Transaction. All current employees at the Surgery Center will be retained for 60 days following the Transaction. This is an arm's length financial transaction between Hyde Park Surgery Center, LLC and Hyde Park Surgical Center, LLC. Under the terms of the Transaction, Hyde Park Surgical Center, LLC will purchase the Hyde Park Surgery Center from Hyde Park Surgery Center, LLC for \$1,300,000.

VII. FINANCIAL

A) Criterion 1120.120 – Availability of Funds

An applicant must document that funds are available to fund the transaction.

Hyde Park Surgical Center, LLC will fund the purchase with \$325,000 in cash and an acquisition loan in the amount of \$975,000 from Evergreen Bank Group. In addition the applicant will also establish a \$150,000 working capital line of credit to support the ongoing working capital needs of the Hyde Park Surgical Center, LLC following the completion of the transaction. The members of Hyde Park Surgical Center, LLC will personally fund the \$325,000 in cash from their own funds. The Members have already escrowed \$25,000 in cash with Chicago Title & Trust Company (Escrow Trust Number 201452690) as an earnest money deposit for the Transaction. Borrowing the \$975,000 from Evergreen Bank Group was less costly than liquidating the Members' other investments. The Members' other investments can be converted to cash (if necessary) within a 60 day period. The Members have personally guaranteed the Acquisition Loan.

Evergreen Bank Group has committed to fund the acquisition loan of \$975,000 and a working capital line of credit of \$150,000 secured by a first lien on all business assets including account receivable and specific equipment. The line of credit is for 1 year at prime floating with floor of 4.25% and acquisition loan is for 5 years at 5.25%. The members of Hyde Park Surgical Center, LLC personally guarantee the loans. The commitment letter can be found at pages 90-95 of the application for permit.

A) Criterion 1120.130 Financial Viability

An applicant must provide documentation that the new owner is financial viable.

The applicant has provided projected financial information as presented below. The projected financial information has met the requirements of the State Board.

TABLE THREE			
Projected Financial Information			
Hyde Park Surgical Center, LLC			
	Year 1	Year 2	Year 3
Revenues	\$1,397,490	\$1,560,530	\$1,716,583
Expenses	\$721,483	\$726,283	\$735,722
Net Income	\$676,007	\$834,247	\$980,861
Cash	\$506,695	\$940,328	\$1,692,354
Current Assets	\$739,610	\$1,196,533	\$1,974,181
Total Assets	\$2,047,610	\$2,508,533	\$3,286,181
Liabilities	\$1,111,603	\$738,279	\$535,066

TABLE THREE Projected Financial Information Hyde Park Surgical Center, LLC			
Projected Financial Ratios			
	State Standard	Year 1	Year 2
Current Ratio	1.5	1.98	5.89
Net Margin Percentage	3.50%	48.37%	53.46%
Long Term Debt /Equity	80.00%	78.88%	30.23%
Debt Service Coverage	1.75	6.89	4.64
Days Cash on Hand	45	260.67	483.22
Cushion Ratio	3	3.19	5.91

- The current **ratio** is mainly used to give an idea of the company's ability to pay back its short-term liabilities (debt and payables) with its short-term assets (cash, inventory, receivables). The higher the **current ratio**, the more capable the company is of paying its obligations.
- The ratio of net margin (net income) to revenues (net sales) for a business that shows how much of each dollar earned by the company is translated into profits.
- Long term debt to equity is a measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.
- Debt service coverage is the ratio of cash available for debt servicing to interest, principal and lease payments.
- Days cash on hand is the number of days that health care facility could continue to pay its average daily cash obligations with no new cash resources becoming available.
- Cushion ratio **is** the ability of current cash and near-cash holdings to meet a health care facility's debt obligations. A **cushion ratio** of 3 means that the organization has three times its debt payment obligations available in cash and near-cash to meet those obligations.

VIII. Economic Feasibility

A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangements

B) Criterion 1120.140 (b) – Terms of Debt Financing

An applicant must provide evidence that the financing and terms of the financing are reasonable.

Hyde Park Surgical Center, LLC will fund the purchase with \$325,000 in cash and an acquisition loan in the amount of \$975,000 from Evergreen Bank Group. In addition the applicant will also establish a \$150,000 working capital line of credit to support the ongoing working capital needs of the Hyde Park Surgical Center, LLC following the completion of the transaction. The members of Hyde Park Surgical Center, LLC will personally fund the \$325,000 in cash from their own funds. The members have already escrowed \$25,000 in cash with Chicago Title & Trust Company (Escrow Trust Number

201452690) as an earnest money deposit for the Transaction. Borrowing the \$975,000 from Evergreen Bank Group was less costly than liquidating the members' other investments. The members' other investments can be converted to cash (if necessary) within a 60 day period. The members have personally guaranteed the acquisition Loan.

Evergreen Bank Group has committed to fund the acquisition loan of \$975,000 and a working capital line of credit of \$150,000 secured by a first lien on all business assets including account receivable and specific equipment. The line of credit is for 1 year at prime floating with floor of 4.25% and acquisition loan is for 5 years at 5.25%. The members of Hyde Park Surgical Center, LLC personally guarantee the loans.

Once the transaction has been completed the applicant will lease the facility from 1644 E 53rd LLC,

<u>Term of Lease</u>	<u>ANNUAL BASE RENT</u>	<u>MONTHLY BASE RENT</u>
February,2015 to December 31, 2019	\$43,200.00	\$3,600.00
January 1, 2020 to December 31, 2020	\$84,000.00	\$7,000.00
January 1, 2021 to December 31, 2021	\$86,520.00	\$7,210.00
January 1,2022 to December 31, 2022	\$89,115.00	\$7,426.00
January 1,2023 to December 31, 2023	\$91,788.00	\$7,649.00
January 1, 2024 to December 31, 2024	\$94,541.00	\$7,878.00
January 1, 2025 to December 31, 2025	\$97,377.00	\$8,114.00

C) Criterion 1120.140 (c) - Reasonableness of Project Costs
The applicant must document that the project costs are reasonable.

The applicant is proposing to purchase the facility for \$1,300,000. This price was negotiated in an arms length transaction between two independent parties and appears reasonable when compared to previously approved project by the State Board.

D) Criterion 1120.140 (d) – Projected Direct Operating Costs

E) Criterion 1120.140 (e) – Projected Capital Costs

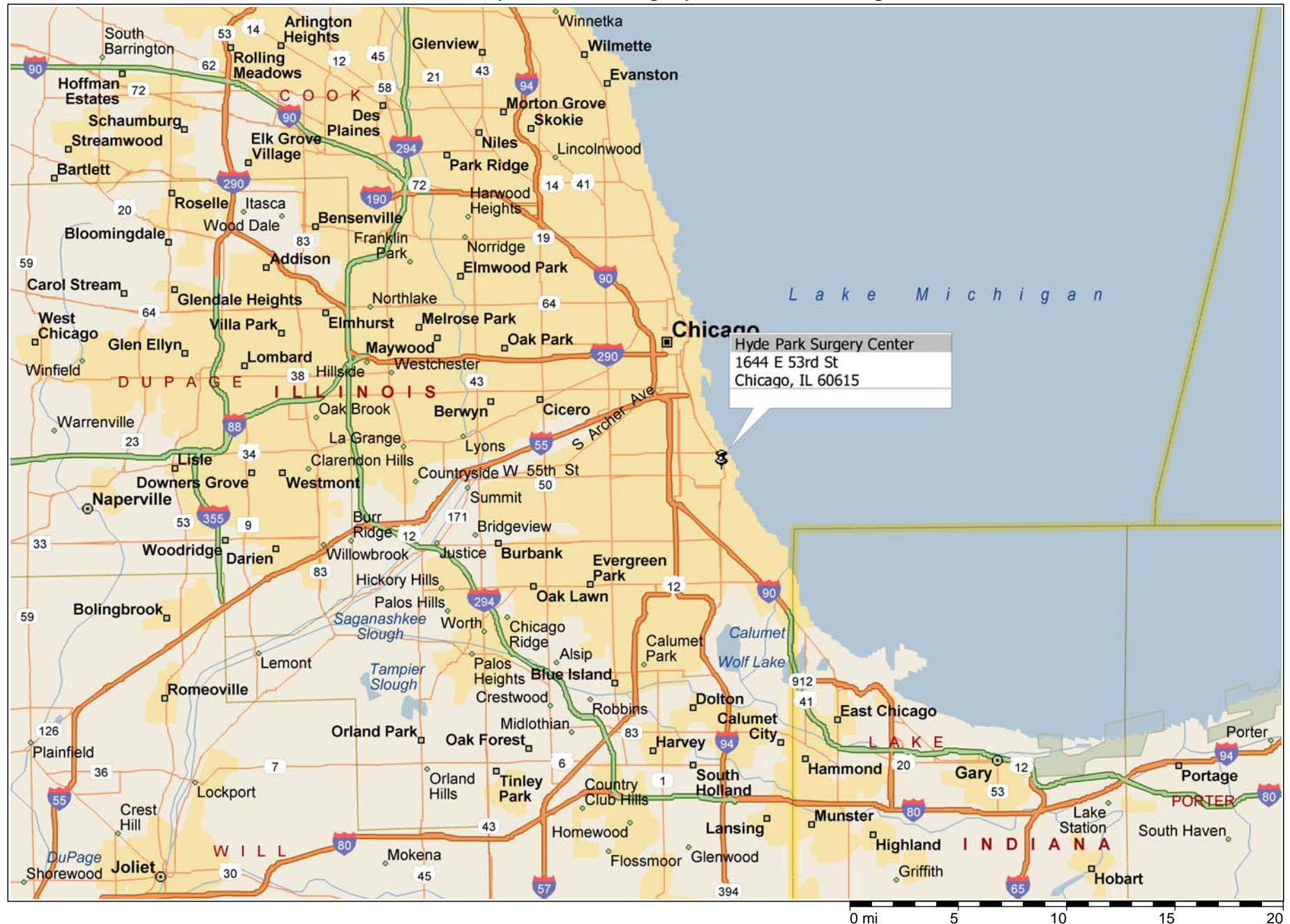
The applicant must provide the projected direct operating costs and the projected capital c costs.

The direct operating cost per case is \$173.71. The projected capital costs will be \$85.47 per case (\$260,000 capital costs/3,042 cases =\$85.47)

Direct Costs

Clinical Administrative Staff	\$395,877
Medical Director	\$ 21,218
Drugs and Supplies	\$ 98,611
EMR Support	<u>\$ 12,731</u>
Total	\$528,437
Cases	3,042
Cost Per Case	\$173.71

15-010 Hyde Park Surgery Center - Chicago



Reference Numbers
 Facility Id 7002884
 Health Service Area 006 Planning Service Area 030
 Hyde Park Surgery Center, LLC
 1644 E. 53rd Street
 Chicago, IL 60615

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

Administrator
 Fortunee Massuda
Date Complete
 3/13/2014
Contact Person
 Fortunee Massuda
Telephone
 773-752-6340

Type of Ownership
 Limited Liability Company (RA required)

Registered Agent
 David B. Sosin
Property Owner

HOSPITAL TRANSFER RELATIONSHIPS

HOSPITAL NAME	NUMBER OF PATIENTS
MERCY HOSPITAL MEDICAL CENTER, CHICAGO	0
	0
	0
	0
	0
	0

Legal Owner(s)
 Fortunee Massuda

STAFFING PATTERNS

PERSONNEL	FULL-TIME EQUIVALENTS
Administrator	0.00
Physicians	0.00
Nurse Anesthetists	0.00
Director of Nurses	0.40
Registered Nurses	1.60
Certified Aides	0.00
Other Health Profs.	2.00
Other Non-Health Profs	1.50
TOTAL	5.50

DAYS AND HOURS OF OPERATION

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

NUMBER OF PATIENTS BY AGE GROUP

AGE	MALE	FEMALE	TOTAL
0-14 years	0	0	0
15-44 years	12	33	45
45-64 years	49	101	150
65-74 years	49	116	165
75+ years	59	107	166
TOTAL	169	357	526

NUMBER OF PATIENTS BY PRIMARY PAYMENT SOURCE

PAYMENT SOURCE	MALE	FEMALE	TOTAL
Medicaid	23	11	34
Medicare	90	213	303
Other Public	1	3	4
Insurance	50	122	172
Private Pay	4	6	10
Charity Care	1	2	3
TOTAL	169	357	526

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
28.4%	4.1%	0.8%	66.1%	0.7%	100.0%		
231,619	33,662	6,200	539,132	5,400	816,014	6,114	1%

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	0	0.00	0.00	0.00	0.00
Laser Eye Surgery	0	0.00	0.00	0.00	0.00
Neurology	0	0.00	0.00	0.00	0.00
OB/Gynecology	0	0.00	0.00	0.00	0.00
Ophthalmology	410	20.50	239.10	259.60	0.63
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	43	43.00	25.08	68.08	1.58
Plastic Surgery	0	0.00	0.00	0.00	0.00
Podiatry	73	109.50	42.55	152.05	2.08
Thoracic	0	0.00	0.00	0.00	0.00
Urology	0	0.00	0.00	0.00	0.00
TOTAL	526	173.00	306.73	479.73	0.91

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

Patients by Location of Residence

Zip Code	City	County	Patients
60619	Chicago	COOK	67
60651	Chicago	COOK	43
60620	Chicago	COOK	35
60653	Chicago	COOK	32
60649	Chicago	COOK	31
60628	Chicago	COOK	29
60617	Chicago	COOK	28
60636	Chicago	COOK	25
60637	Chicago	COOK	23
60643	Chicago	COOK	22
60615	Chicago	COOK	17
60616	Chicago	COOK	16
60621	Chicago	COOK	16
60609	Chicago	COOK	13
60608	Chicago	COOK	7
60406	Blue Island	COOK	7
60471	Richton Park	COOK	6
60472	Robbins	COOK	5
60478	Country Club Hills	COOK	5
60632	Chicago	COOK	4
60652	Chicago	COOK	4
60487	Tinley Park	COOK	4
60640	Chicago	COOK	4
46323		LAKE COUNTY	4
60625	Chicago	COOK	3