



STATE OF ILLINOIS

## HEALTH FACILITIES AND SERVICES REVIEW BOARD

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<b>DOCKET NO:</b> G-09	<b>BOARD MEETING:</b> March 29, 2016	<b>PROJECT NO:</b> 16-007	<b>PROJECT COST:</b>  Original: \$2,452,060
<b>FACILITY NAME:</b> Schaumburg Surgery Center		<b>CITY:</b> Schaumburg	
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA:</b> VII

**PROJECT DESCRIPTION:** The applicant (Schaumburg Surgery Center, LLC) is proposing to establish a multi-specialty ambulatory surgical treatment facility in Schaumburg, at a cost of \$2,452,060. The anticipated project completion date is July 31, 2017.

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- **The applicant** (Schaumburg Surgery Center, LLC) is proposing to establish a multi-specialty ambulatory surgical treatment facility at a cost of \$2,452,060, located at 929 West Higgins Road, Schaumburg. The project will consist of 3,782 GSF of modernized clinical, and 1,243 GSF of modernized non-clinical, leased space.
- The proposed facility will be a multi-specialty ASTC with two procedure rooms, providing orthopedics, podiatry, and pain management procedures. The proposed facility will be wholly owned by qualified physician investors, and no hospital or surgery management company will be involved in this project. The project calls for the establishment of a category of service, and is classified as substantive.

### **WHY THE PROJECT IS BEFORE THE STATE BOARD:**

- This project is before the State Board because the project establishes a health care facility (ASTC) as defined by the Illinois Health Facilities Planning Act. (20 ILCS 3960/3)

### **PURPOSE OF THE PROJECT:**

- The applicants note the proposed facility will provide outpatient surgical services in an easily-accessible location, central to the applicants patient base. The facility will be owned and operated by physician members of Barrington Orthopedic Specialists (BOS), and the addition of a multi-specialty ASTC in the existing medical office building will offer its patients a continuum of care at a site familiar to them. The applicants note:  
*“The purpose of the project is to establish an ASTC that offers three categories of services: 1) Orthopedics 2) Podiatry, and 3) Pain Management. The applicant will operate the proposed ASTC in a manner that ensures the safety of its patients, always giving high quality care to patients in a convenient and familiar location. The ASTC will enhance access to outpatient health care services once it becomes an enrolled provider in the Illinois Medicaid program, and implements a charity care program. The project will also help reduce the cost of healthcare overall, by offering patients an affordable alternative to hospital-based surgical services, which often results in lower co-payments for patients and less costly reimbursement for all payor types”.*

### **PUBLIC HEARING/COMMENT:**

- A public hearing was offered in regard to the proposed project, but none was requested. No letters of opposition and 75 letters of support were received by State Board Staff. However, Board Staff notes that 3 of the 75 letters were unsigned, which renders them inadmissible for Board Review.

### **NEED FOR PROJECT:**

- To establish an ASTC an applicant must document that the proposed facility will improve access, will not result in unnecessary duplication of service, cause a mal-distribution of service (surplus of facilities) or have a negative impact on other ASTC facilities within the 45 minute geographic service area (“GSA”). There are a number of hospitals and ASTCs within this 45 minute GSA that provides gastroenterology services and there is unused capacity at these facilities. See Tables at the end of this report.

- There are 52 ambulatory surgical treatment rooms within 45 minutes (adjusted) of the proposed facility(See Table Five). Of those 52 facilities 17 (32.6%) of the facilities are operating in excess of the State standard (1,500hrs/surgical suite).
- There are 34 hospitals in the 45-minute service area (See Table Six). Of these 45 facilities, 17 (50%), are operating in excess of the State standard

#### **FINANCIAL AND ECONOMIC FEASIBILITY:**

- The applicant is funding the proposed project with a combination of cash and securities (\$1,911,601), and the Fair Market Value of the Lease (\$540,459). The cash portion will come from the sale and purchase of investment securities, specifically the purchase of units in the Applicant's limited liability company (LLC). The purchase of said units will occur on a date immediately following the granting of the Certificate of Need (CON) permit. Schaumburg Surgery Center was recognized as a limited liability company (LLC), in January 2015. Schaumburg Surgery Center, LLC consists of 17 physician-owners, each holding equal ownership shares (See Table One).

<b>Table One</b>		
<b>Ownership Interest in Schaumburg Surgery Center, LLC</b>		
<b>Name</b>	<b>Entity/Individual</b>	<b>Ownership Percentage</b>
Russell Benuck, M.D.	Individual	5.88%
Raymond O'Hara D.P.M.	Individual	5.88%
Richard Rabinowitz, M.D.	Individual	5.88%
Sean Jereb, M.D.	Individual	5.88%
Thomas Obermeyer, M.D.	Individual	5.88%
Anubhav Jagadish, M.D.	Individual	5.88%
Brooke Belcher, M.D.	Individual	5.88%
Ciro Cirrincione, M.D.	Individual	5.88%
David Tashima, M.D.	Individual	5.88%
Jason Rotstein, M.D.	Individual	5.88%
Keith Schroeder, M.D.	Individual	5.88%
Lynette Mahoney, M.D.	Individual	5.88%
Matthew Bernstein, M.D.	Individual	5.88%
Mark Levin, M.D.	Individual	5.88%
Mark Yaffee, M.D.	Individual	5.88%
Narenda Patel, M.D.	Individual	5.88%
Paul Nourbash, M.D.	Individual	5.88%
<b>Total</b>		<b>100%</b>
Application, p. 59		

- Board Staff notes the applicant provided proof of sufficient cash resources through an Intent to Lease, and the provision of certified attestations on behalf of each of the 17 physician/owners. The attestations are located in the project file, and attest to each physician's financial viability and the ability to purchase their respective memberships units, each costing \$113,211.82, within 30 days of permit approval. This membership unit purchase accounts for the cash and securities portion of the proposed project.

**CONCLUSIONS:**

- The applicants addressed a total of 22 criteria and have not met the following:

<b>State Board Standards Not Met</b>	
<b>Criteria</b>	<b>Reasons for Non-Compliance</b>
<b>Criterion 1110.1540(g)-Service Accessibility</b>	There are underutilized facilities and no lack of service accessibility in the 45-minute service area
<b>Criterion 1110.1540 (h) – Unnecessary Duplication/Maldistribution</b>	There are underutilized facilities in the service area, suggesting unnecessary duplication/maldistribution of service, if the project is approved
<b>Criterion 1120.140 (c) – Reasonableness of Project and Related Costs</b>	The applicants report project contingencies costs in excess of the State Board standard.

**STATE BOARD STAFF REPORT**  
**Project #16-007**  
**Schaumburg Surgery Center**

APPLICATION CHRONOLOGY	
Applicants(s)	Schaumburg Surgery Center, LLC
Facility Name	Schaumburg Surgery Center
Location	929 West Higgins Road, Schaumburg
Permit Holder	Schaumburg Surgery Center, LLC
Operating Entity/Licensee	Schaumburg Surgery Center LLC
Owner of Site	Chicagoland Medical Portfolio DST
Application Received	January 14, 2016
Application Deemed Complete	January 14, 2016
Financial Commitment Date	July 31, 2017
Anticipated Completion Date	July 31, 2017
Review Period Ends	May 13, 2016
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

**I. Project Description**

**The applicant** (Schaumburg Surgery Center, LLC) is proposing to establish a multi-specialty ambulatory surgical treatment facility in leased space at a cost of \$2,452,060. The anticipated project completion date is July 31, 2017.

**II. Summary of Findings**

- A. The State Board Staff finds the proposed project does **not** appear to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project does **not** appear to be in conformance with the provisions of Part 1120.

**III. General Information**

The applicant is Schaumburg Surgery, LLC. The applicant is also listed as the permit holder and operating entity for this project/facility. The applicant proposes to establish a multi-specialty ASTC in 5,025 GSF of leased space, located at 929 West Higgins Road, Schaumburg. The facility will consist of two surgical suites and the appropriate recovery stations.

**IV. Project Description**

**The applicants** are proposing to establish a multi-specialty ambulatory surgical treatment facility at a cost of \$2,452,060 located in modernized leased space in an existing Medical Office Building (MOB), in Schaumburg. The proposed ASTC will be offer Orthopedic, Podiatric, and Pain Management services. The ASTC will be located in a Medical Office Building (MOB) built for Barrington Orthopedic Specialists (BOS), in 2011. The ASTC

will be located on the 2<sup>nd</sup> floor in unused space. The facility will house two surgical suites, eight recovery stations, and appropriate prep/clean-up areas (clinical space 3,782 GSF) 1,243 GSF of non-clinical space will be used for administrative, waiting areas, and medical records/storage.

**V. Project Costs**

The applicants are funding this project with cash of \$1,911,601 and the Fair Market Value of the Lease totaling \$540,459. The anticipated start-up costs and estimated deficit is \$100,000.

<b>TABLE ONE</b>			
<b>Project Costs and Sources of Funds</b>			
<b>Use of Funds</b>	<b>Reviewable</b>	<b>Non Reviewable</b>	<b>Total</b>
<b>Preplanning Costs</b>	\$18,814	6,186	\$25,000
Modernization Contracts	\$678,731	\$223,145	\$901,876
Contingencies	\$83,782	\$27,545	\$111,327
Architectural & Engineering Fees	\$67,873	\$22,315	\$90,188
Consulting & Other Fees	\$62,622	\$20,588	\$83,210
Movable or Other Equipment	\$500,000	\$200,000	\$700,000
Fair Market Value of Leased Space	\$406,737	\$133,722	\$540,459
<b>Total Uses of Funds</b>	<b>\$1,818,560</b>	<b>\$633,500</b>	<b>\$2,452,060</b>
<b>Source of Funds</b>	<b>Reviewable</b>	<b>Non Reviewable</b>	<b>Total</b>
Cash and Securities	\$1,411,823	\$499,778	\$1,911,601
FMV of Lease	\$406,737	\$133,722	\$540,459
<b>Total Sources of Funds</b>	<b>\$1,808,560</b>	<b>\$633,500</b>	<b>\$2,452,060</b>

**VI. Section 1110.230 –Purpose of the Project, Safety Net Impact, Alternatives**

The applicants are required to provide responses to these criteria; the State Board Staff reaches no conclusion regarding these criteria.

**A) Criterion 1110.230 (a) - Purpose of the Project**

The applicants note the proposed facility will provide outpatient surgical services in an easily-accessible location, central to the applicants patient base. The facility will be owned and operated by physician members of Barrington Orthopedic Specialists (BOS) (See Table One), and the addition of a multi-specialty ASTC in the existing medical office building will offer its patients a continuum of care at a site familiar to them. The applicants note:

*“The purpose of the project is to establish an ASTC that offers three categories of services: 1) Orthopedics 2) Podiatry, and 3)Pain Management. The applicant will*

*operate the proposed ASTC in a manner that ensures the safety of its patients, always giving high quality care to patients in a convenient and familiar location. The ASTC will enhance access to outpatient health care services once it becomes an enrolled provider in the Illinois Medicaid program, and implements a charity care program. The project will also help reduce the cost of healthcare overall, by offering patients an affordable alternative to hospital-based surgical services, which often results in lower co-payments for patients and less costly reimbursement for all payor types”.*

**B) Criterion 1110.234 (b) - Safety Net Impact**

The applicant is a new business entity, formed for the sole purpose of owning and operating the ASTC, and has no historical Safety Net/Charity Care data to provide. The applicant does note that a charity care program will be established, once the entity is financially viable, and will enroll in the Medicaid program. The applicants provided a forecasted Payer Mix for the facility, once it becomes operational (See Table Two)

<b>Table Two Forecasted Payer Mix</b>			
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Private/Commercial Insurance	45%	46.5%	48%
Medicare	18.5%	19%	19.5%
Medicaid	0.5%	2.0%	4.0%
Self-Pay	15.8%	15%	12.5%
Third Party	1.5%	0.5%	0.5%
Worker's Comp	18.2%	15.5%	13.5%
Charity Care	0.5%	1.5%	2.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**C) Criterion 1110.234 (c) –Alternatives to Project**

The applicants considered the following three alternatives:

- 1) **Do Nothing:** The applicant rejected this alternative because it failed to address the specific health needs of the area and patients being served by the applicant physician/owners. The applicant identified no cost with this alternative.
- 2) **Utilize Existing Providers:**  
The applicant notes the proposed facility is located in the center of its market area, and close to St. Alexius Medical Center, where all the physician investors have admitting privileges. The applicant cites the presence of sufficient space for the ASTC in a building already familiar to the physician owners patient base, and deemed this alternative infeasible. There were no costs identified with this alternative.
- 3) **Establish an ASTC at an Alternate Location:** The applicant considered establishing an ASTC at an alternate location, but rejected this, due to the presence of useable space in the existing MOB in Schaumburg, and the potentially higher cost of moving to another building. There was no cost identified with this alternative.

**VII. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space**

**A) Criterion 1110.234 (a) - Size of Project**

**The applicant shall document that the physical space proposed for the project is necessary and appropriate.**

The applicant is proposing to establish an ASTC consisting of two surgical suites and eight recovery rooms, in 3,782 GSF of clinical space. The applicant proposes to utilize an additional 1,243 GSF of leased space for non-clinical purposes, resulting in a 5,025 GSF facility. The State Board Standard for surgical rooms is 1,660-2,200 DGSF per Surgery Room and the recovery stations is 180-400 GSF per station. The applicant notes the surgical suites will comprise 1,891 GSF, which is within the State standard. The applicant has met this requirement (application, p. 135).

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

**B) Criterion 1110.234 (b) - Project Services 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 applicant is projecting to perform 2,537 procedures by its second year of operation (2018), resulting in 3,805 hours of utilization (application pg. 136). If the hours materialize the applicants can justify the two procedure rooms.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION PROJECTED SERVICES UTILIZATION (77 IAC 1110.234(b))**

**C) Criterion 1110.234 (e) - Assurances**

**The applicants must attest that they will reach target utilization within 24 months of operation and maintain that utilization.**

Ciro Cirincione, Manager for Schaumburg Surgery Center attested that the proposed ASTC will meet the occupancy standards, and will not increase its capacity until it operates above the State Board standard for ASTCs for one year.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.234(e))**

**VIII. Section 1110.1540 –Ambulatory Surgical Treatment Center**

**A) Criterion 1110.1540 (b) - Background of the Applicant**



***An applicant shall document the qualifications, background, character and financial resources to adequately provide a proper service for the community and also demonstrate that the project promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of facilities or service. [20 ILCS 3960/2]***

The applicant provided a notarized letter from Ciro Cirrincione, M.D. (application p. 139) that the applicant and its 17 partners have no adverse actions taken at any other ambulatory surgical treatment centers or any other health care facilities or provider entities under their ownership. The applicant has attested that no adverse action has been taken against any managing members of this facility during the three years prior to filing this application for permit. In addition the applicants authorized the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to access any and all information to verify information submitted in this application for permit.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH THE CRITERION BACKGROUND OF THE APPLICANT (77 IAC 1110.1540 (b))**

**B) Criterion 1110.1540 (c) (2) - Geographic Service Area Need**

**The applicant shall document that the ASTC services and the number of surgical/treatment rooms to be established, added or expanded are necessary to serve the planning area's population.**

The applicants have defined their market area as 45 minutes in all directions and have provided zip code/population information for the market area. In addition the applicants have provided the patient origin zip codes for patients treated by physician members of the proposed facility (application pgs. 140-142). The total population for the proposed geographical service area (GSA) is 4,346,412.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH THE CRITERION GEOGRAPHIC SERVICE AREA NEED (77 IAC 1110.1540 (c) (2))**

**C) Criterion 1110.1540 (d) - Service Demand – Establishment of an ASTC Facility**

**The applicant shall document that the proposed project is necessary to accommodate the service demand experienced annually by the applicant, over the latest two-year period, as evidenced by historical and projected referrals.**

The applicant supplied historical referral data from 15 of the 17 physician/owners to area ASTCs, as well as projected referral data from these same physicians that estimate the referral of approximately 1,490 patients upon project completion. These data result in utilization in excess of the State Board standard (application, pgs. 143-145).

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH THE CRITERION SERVICE DEMAND (77 IAC 1110.1540 (d))**

**D) Criterion 1110.1540 (f) - Treatment Room Need Assessment**

**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.**

The applicant is proposing to establish a multi-specialty ASTC containing two surgical suites, in 5,025 GSF of clinical and non-clinical space. The applicant estimates an average time of 90 minutes for each procedure with prep and clean-up included. Based upon the State Board standard of 1,500 hours per procedure room, and a projected volume of 3,805.5 service hours in 2018 (application, p. 146), the applicants can justify the two surgical suites at the proposed facility.

(3,805.5 hours/1,500 hours per procedure room = 2.5 rooms or 3 rooms)

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH THE CRITERION TREATMENT ROOM NEED ASSESSMENT (77 IAC 1110.1540 (f))**

**E) Criterion 1110.1540 (g) - 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:**

- 1) There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project;
- 2) 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;
- 3) 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;
- 4) The proposed project is a cooperative venture sponsored by two or more persons, at least one of which operates an existing hospital. Documentation shall provide evidence that:
  - A) The existing hospital is currently providing outpatient services to the population of the subject GSA;

- B) 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;
- C) 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
- D) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

The applicant notes the proposed project is a necessity for the service area, based on restrictive admission policies that exist at 15 of the area ASTCs (application, p. 180). The applicant has identified 15 area ASTCs closest to the proposed site that provide little to or no service to Medicaid recipients. This represents 28.8% of the ASTCs in the 45-minute service area (See Table Five). While the absence of the provision of Medicaid services at these 15 facilities is noted, it is also noted that of the total 52 ASTCs identified in this service area, only 17 (32.6%), are operating in excess of the State standard of 1,500 hours/per surgical suite. Board staff also notes that of the 34 hospitals identified in the service area (Table Six), only 17 (50%), are operating in excess of the State standard, which suggests no impediment to service accessibility.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 IAC 1110.1540 (g))**

**F) Criterion 1110.1540 (h) - Unnecessary Duplication/Maldistribution**

**The applicant shall document that the project will not result in an unnecessary duplication. 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. The applicant shall document that, within 24 months after project completion, the proposed project will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100 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 52 ambulatory surgical treatment centers within 45 minutes (adjusted) of the proposed facility. Of the 52 ASTCs identified (See Table Five), 17 (32.6%), are operating in excess of the State Board standard of 1,500 hours per room. There are 34 hospitals (See Table Six), within 45 minutes (adjusted), of the proposed ASTC (Table Six), with only 17 of these facilities operating in excess of the State standard. Given the

number of facilities within the 45 minute (adjusted) GSA it would appear that an unnecessary duplication of service will result with the establishment of this facility.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE/MALDISTRIBUTION (77 IAC 1110.1540 (h))**

**G) Criterion 1110.1540 (i) - Staffing**

The proposed facility will ensure that all clinical and staffing needs be met in accordance with Federal and State laws/regulations/policies. Dr. Ciro Cirrincione M.D, is a physician/owner and will serve as medical director of the proposed facility

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION STAFFING (77 IAC 1110.1540 (h))**

**I) Criterion 1110.1540 (i) - 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:

- 1) a statement of all charges, except for any professional fee (physician charge); and
- 2) a commitment that these charges will not be increased, at a minimum, for the first two years of operation unless a permit is first obtained pursuant to 77 Ill. Adm. Code 1130.310(a).

Ciro Cirrincione, M.D., manager of the proposed Schaumburg Surgery Center certified that the charges listed in the Schaumburg Surgery Center CON application (application, p. 235) will be in place for two (2) years subsequent to the ambulatory surgery center being certified for occupancy

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION CHARGE COMMITMENT (77 IAC 1110.1540 (i))**

**K) Criterion 1110.1540(k) - Assurances**

- 1) 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.

- 2) 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 attest to the provisions established in the above mentioned criterion on page 248 of the application, and a positive finding can be found for this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.1540 (k))**

**IX. 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 project will be funded with a combination of cash and securities totaling \$1,911,601, and the fair market value of the lease totaling \$540,459. The applicants supplied a letter of intent (LOI), to sublease the two-story 5,045 GSF building for a 5-year period, with the option to renew the lease for two additional 5-year periods. Supplemental information in the application file contains certified attestations from the 17 physician investors, attesting to their individual financial viability, and their agreement to produce \$113,211.82, as part of their financial obligation to underwrite the cash portion of the proposed project of the applicant/owners. The 17 cash commitment/obligation letters total \$1,924,601, which addresses the cash and securities portion of the project funding.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 IAC 1120.120)**

**X. Section 1120.130 - Financial Viability**

The proposed project will be funded with a combination of cash and securities totaling \$1,911,601, and the fair market value of the lease totaling \$540,459. The applicants supplied a letter of intent (LOI), to sublease the two story, 5,045 GSF building for a 5-year period, with the option to renew the lease for two additional 5-year periods. Supplemental information in the application file contains certified attestations from the 17 physician investors, attesting to their individual financial viability, and their agreement to produce \$113,211.82, as part of their financial obligation to underwrite the cash portion of the proposed project of the applicant/owners. The 17 cash commitment/obligation letters total \$1,924,601, which addresses the cash and securities portion of the project funding.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.130)**

**XI. Section 1120.140 - Economic Feasibility**

- A) Criterion 1120.140(a) – Reasonableness of Financing Arrangements**
- B) Criterion 1120.140 (b) - Conditions of Debt Financing**

The applicants are funding this project with cash/securities of \$1,911,601, and the Fair Market Value of the Lease totaling \$540,459. The applicants supplied a copy of the lease outlining the terms and costs, and 17 certified letters of attestations from each of the physician investors, committing to their individual ownership obligation, and satisfying

the need for proof of existence of the cash and securities portion of the project financing. No traditional loans or financing will be sought to fund the proposed project.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS AND CONDITIONS OF DEBT FINANCING (77 IAC 1120.140 (a)(b))**

- C) Criterion 1120.140 (c) - Reasonableness of Project and Related Costs**  
**The applicant shall document that the estimated project costs are reasonable. All costs identified below are clinical.**

**Preplanning Costs** are \$ 18,814 which is 1.4% of construction, modernization, contingencies, and equipment. This appears reasonable when compared to the State Board Standard of 1.8%.

**Modernization Costs and Contingencies** is \$762,513 and are \$201.61 per GSF. This appears reasonable when compared to the State Board Standard of \$272.82.

**Contingencies Costs** are \$83,782 which is 12.3% of the modernization costs. This appears **HIGH** when compared to the State Board Standard of 7-10% for projects with drawings classified as being in the preliminary stage.

**Architectural and Engineering Fees** are \$67,783 and are 8.8% of modernization and contingency costs. This appears reasonable when compared to the State Board Standard of 8.04% - 12.06%.

**Consulting and Other Fees** are \$62,622. The State Board does not have a standard for these costs.

**Movable or Other Equipment Costs** are \$500,000 or \$250,000 per surgical room. This appears reasonable when compared to the State Board Standard of \$475,480.

**Fair Market Value of Leased Space Costs** are \$406,737. The State Board does not have a standard for this cost.

The applicants have exceeded the allowable thresholds for Contingencies costs, and a negative finding results for this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT AND RELATED COSTS (77 IAC 1120.140 (c))**

- D) Criterion 1120.140 (d) - Projected Operating Costs**

The projected operating cost per case is \$670.08 per patient procedure. This appears reasonable compared to previously approved projects.

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

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

The proposed project is expected to have no effect on capital costs during the first full year of operation.

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



**TABLE FIVE**  
**Ambulatory Surgical Treatment Centers within 45 minutes of proposed facility**

Name	City	Type	Operating Rooms	Hours	Minutes	Rooms Justified
Hoffman Estates Surgery Center	Hoffman Estates	Multi	3	3,322	6	Yes
Regenerative Surgery Center	Des Plaines	Multi	3	1,132	14	No
Presence Lakeshore Gastroenterology*	Des Plaines	Single	0	N/A	16	N/A
Illinois Upper Hand & Extremity	Arlington Heights	Single	1	954	16	Yes
Northwest Surgical Care Healthsouth	Des Plaines	Multi	4	3,001	17	No
Northwest Community Day Surgery	Arlington Heights	Multi	10	9,420	17	No
Golf Surgical Center	Des Plaines	Multi	5	4,247	20	No
Aiden Center for Day Surgery	Addison	Multi	4	958	20	No
Ravine Way Surgery Center	Glenview	Single	3	1,750	22	No
Algonquin Road Surgery Center	Lake in the Hills	Multi	3	3,221	24	No
Elgin Gastroenterology Endoscopy Center*	Elgin	Single	2 procedure	5,116	24	Yes
Barrington Pain & Spine Institute	Barrington	Limited	2	483	25	No
Advantage Health Care, Ltd.	Wood Dale	Limited	2	1,496	25	No
Apollo Health Center^	Des Plaines	Limited	2	63	26	No
Illinois Sports Medicine & Orthopedic Surgery Ctr.	Morton Grove	Multi	4	2,943	28	No
Albany Medical Surgical Center	Chicago	Single	2	2,840	29	Yes
The Glen Endoscopy Center*	Glenview	Single	3 procedure	3,484	31	Yes
Six Corners Same Day Surgery	Chicago	Multi	4	331	32	No
Fullerton Kimball Medical Surgical Ctr.	Chicago	Multi	2	1,091	32	No
Western Diversey Surgical Center	Chicago	Multi	3	1,715	33	No
Belmont/Harlem Surgery Center	Chicago	Multi	4	1,796	34	No
Chicago Endoscopy Center*	Chicago	Single	1 Procedure	431	34	Yes

**TABLE FIVE**  
**Ambulatory Surgical Treatment Centers within 45 minutes of proposed facility**

<b>Name</b>	<b>City</b>	<b>Type</b>	<b>Operating Rooms</b>	<b>Hours</b>	<b>Minutes</b>	<b>Rooms Justified</b>
Loyola University Ambulatory Surgery Ctr.	Maywood	Multi	8	10,738	34	Yes
DuPage Eye Surgery Center	Wheaton	Single	3	2,272	35	No
Loyola Ambulatory Surgery Ctr. Oakbrook	Oak Brook Terrace	Multi	3	2,897	37	No
Elmhurst Medical & Surgical Center	Elmhurst	Single	1	128	37	Yes
Advanced Ambulatory Surgical Ctr.	Chicago	Multi	3	1,079	37	No
Valley Ambulatory Surgery Center	St. Charles	Multi	7	5,143	39	No
Ambulatory Surgicenter of Downers Grove	Downers Grove	Single	3	1,157	39	No
Midwest Center for Day Surgery	Downers Grove	Multi	5	3,215	39	No
Oak Brook Surgical Center	Oak Brook	Multi	5	2,930	39	No
Novamed Surgery Center of Chicago Northshore	Chicago	Limited	1	1,406	39	Yes
Hawthorne Surgery Center	Vernon Hills	Multi	4	5,556	40	Yes
Vernon Square Surgicenter	Vernon Hills	Multi	2	1,886	40	Yes
United Shockwave Services	LaGrange	Single	1	2,748	40	Yes
Naperville Surgical Center	Naperville	Multi	4	1,880	40	No
Naperville Fertility Center	Naperville	Single	1	645	40	Yes
Chicago Prostate Cancer Surgery Center	Westmont	Single	2	713	40	No
Novamed Surgery Center of River Forest	River Forest	Limited	2	476	41	No
Elmwood Park Same Day Surgery Center	Elmwood Park	Single	1	128	41	Yes
25 East Same Day Surgery	Chicago	Multi	4	2,941	41	No
Grand Avenue Surgery Center	Chicago	Multi	3	940	42	No
Gold Coast Surgicenter	Chicago	Multi	3	3,578	42	Yes
Children's Memorial Special Peds Surgery	Westchester	Multi	3	2,992	43	No
Fullerton Surgery Center	Chicago	Multi	3	2,735	43	No

**TABLE FIVE**  
**Ambulatory Surgical Treatment Centers within 45 minutes of proposed facility**

<b>Name</b>	<b>City</b>	<b>Type</b>	<b>Operating Rooms</b>	<b>Hours</b>	<b>Minutes</b>	<b>Rooms Justified</b>
North Shore Same Day Surgery Center	Lincolnwood	Multi	3	2,958	43	No
Rush Surgicenter	Chicago	Multi	4	5,054	43	Yes
River North Same Day Surgery Center	Chicago	Multi	4	3,573	43	No
The Surgery Center at 900 Michigan Avenue	Chicago	Multi	5	7,439	43	Yes
Tri-Cities Surgery Center	Geneva	Multi	3	1,443	44	No
Salt Creek Surgery Center*	Westmont	Multi	4	3,314	44	No
Forest Medical-Surgical Center	Justice	Multi	2	955	44	No

\*Provides Gastroenterology Services (Endoscopy) Exclusively

**TABLE SIX**  
**Hospitals within 45 minutes of proposed facility**

<b>Name</b>	<b>City</b>	<b>Adjusted Time</b>	<b>Operating Rooms</b>	<b>Hours</b>	<b>Rooms Justified</b>
St. Alexius Medical Center	Hoffman Estates	15	11	17,307	Yes
Alexian Brothers Medical Center	Elk Grove Village	13	15	21,185	Yes
Northwest Community Hospital	Arlington Heights	18	14	21,879	Yes
Sherman Hospital	Elgin	23	16	16,470	No
Adventist Glen Oaks Hospital	Glendale Heights	24	5	3,281	No
Presence Holy Family Hospital	Des Plaines	27	5	2,406	No
Advocate Good Shepherd Hospital	Barrington	28	11	19,706	Yes
Presence St. Joseph Hospital	Elgin	29	10	6,258	No
Elmhurst Memorial Hospital	Elmhurst	29	15	27,604	Yes
Advocate Lutheran General Hospital	Park Ridge	29	24	43,242	Yes
Advocate Good Samaritan Hospital	Downers Grove	32	15	22,453	Yes
Central DuPage Hospital	Winfield	32	26	40,453	Yes
Presence Resurrection Medical Center	Chicago	32	14	11,911	No
VHS Westlake Hospital	Melrose Park	33	6	2,930	No
VHS West Suburban Medical Center	Oak Park	33	8	8,997	No
Loyola University Medical Center	Maywood	33	27	60,335	Yes
Adventist Hinsdale Hospital	Hinsdale	35	12	19,197	Yes
MacNeal Memorial Hospital	Berwyn	35	18	18,180	No
Rush Oak Park Hospital	Oak Park	35	9	7,543	No
Gottlieb Memorial Hospital	Melrose Park	35	9	9,399	No
Glenbrook Hospital	Glenview	35	9	12,728	Yes
Loretto Hospital	Chicago	36	5	852	No
Adventist LaGrange Memorial Hospital	LaGrange	36	11	12,977	No

**TABLE SIX**  
**Hospitals within 45 minutes of proposed facility**

<b>Name</b>	<b>City</b>	<b>Adjusted Time</b>	<b>Operating Rooms</b>	<b>Hours</b>	<b>Rooms Justified</b>
Community First Medical Ctr.	Chicago	39	9	3,849	No
Rush University Medical Center	Chicago	41	31	64,045	Yes
Stroger Hospital of Cook County	Chicago	42	20	32,974	Yes
Edward Hospital	Naperville	43	18	33,216	Yes
Adventist Bolingbrook Hospital	Bolingbrook	43	6	7,113	No
St. Elizabeth's Hospital	Chicago	43	5	1,030	No
Shriner's Hospital for Children	Chicago	44	4	3,116	No
Mt. Sinai Medical Center	Chicago	44	9	11,782	No
Centegra Hospital McHenry	McHenry	44	10	14,116	Yes
Swedish Covenant Hospital	Chicago	44	10	16,726	Yes
University of Illinois Hospital	Chicago	44	20	32,604	Yes

