



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET ITEM NUMBER: C-01	BOARD MEETING: February 27, 2018
EXEMPTION APPLICANT(S): Valley Ambulatory Surgery Center, L.P. VASC, Inc. Surgery Partners, Inc.	
FACILITY: Valley Ambulatory Surgery Center, St. Charles, Illinois	

1. The Transaction

The Applicants (Valley Ambulatory Surgery Center, L.P., VASC, Inc. and Surgery Partners, Inc.) propose the discontinuation of Valley Ambulatory Surgery Center located at 2210 Dean Street, St. Charles, Illinois. VASC, Inc. is the general partner of Valley Ambulatory Surgery Center, L.P. and owns 48.32% of the Surgery Center. The remaining ownership interest is owned by physicians, no one with more than 5% of the ownership interest. [Exemption Application page 68]

The Surgery Center is a multi-specialty ASTC and the Applicants are proposing this discontinuation in conjunction with the submittal of Project #17-057 requesting the establishment/relocation of the Valley Ambulatory Surgery Center, to be located at 2475 Dean Street, St. Charles, Illinois approximately one-quarter ($\frac{1}{4}$) mile from the existing facility.

Valley Ambulatory Surgery Center is located in Health Service Area VIII in Kane County. The Surgery Center has seven operating rooms and one procedure room. The operating entity/licensee is Valley Ambulatory Surgery Center, L.P. and the owner of the current site is Valley Medical Building Corporation. The Applicants currently lease the space for the ASTC from Valley Medical Building Corporation, and the lease for the existing ASTC expires in November 2019. The Applicants plan to terminate the existing lease and relocate into the new facility without an interruption in care or services for patients. Equipment at the existing facility will be utilized at the proposed new facility when it becomes operational. The Applicants have stated the reason for the discontinuation is that the existing building is no longer suitable for an ASTC. The Applicants state that some of the issues at the existing location are:

- ✓Repairs to the exterior of the building, including wood trim problems, an aging roof, and repairs to stucco;
- ✓The main entrance canopy is difficult for cars to navigate because of a tight turning radius, requiring cars to often back up re-approach to make the turn to drop off and pick up patients;
- ✓There are four separate areas for patients pre-operation area, recovery, post-operation lounge, and pediatric lounge; such duplicate areas has caused staffing and other inefficiencies;
- ✓The large vaulted ceiling in the pre-op and recovery spaces of the current facility create volumes of unused space that has to be heated and cooled, causing higher than necessary operating expenses;
- ✓One of the operating rooms is used as a gastroenterology ("GI") procedure room. The GI cases are performed in a sterile area, which creates an inefficient flow of clean and dirty GI

scopes from the operating room to the scope clean-up room that is located in the non-sterile area;

✓The sterile processing area is not separated into clean and dirty instrument areas, as required by current codes and best practice instead, both functions are located in one room under the current design;

✓The building is not handicapped accessible. The business office is on the second floor, and there is no elevator in the building. In addition, numerous doors in the facility are smaller than the three feet width requirement, and they do not have ADA-compliant door hardware. The

staff restrooms in the locker rooms are also not handicapped accessible.

✓The staff lockers do not connect directly to the sterile corridor, which does not permit one-way flow of staff from non-sterile to sterile areas of the facility.

✓There is not enough equipment storage space for operating room equipment, soiled linen and red bag (biohazard) storage.

✓Leaks in the fire sprinkler lines have required closures of the facility on several recent occasions.

✓The facility has experienced electrical issues, and patient headwalls in some areas lack the adequate number of emergency receptacles. By establishing a new state-of-the-art facility close to its current facility, Valley ASC will be able to offer patients a better clinical environment, a more efficient space for staff, and avoid cost-prohibitive repairs to the existing facility.

` The newly constructed facility will (i) improve the clinical environment for patients; (ii) be located close to the existing facility, making it convenient to patients and staff; (iii) improve efficiencies in operations; and (iv) avoid costly repairs to the current facility.

The expected discontinuation is October 31, 2019. There is no cost to this discontinuation. [Exemption Application pages 21-64] [Exemption Application pages 73-76]

The medical records will be located at the proposed ASTC at 2475 Dean Street, St. Charles, Illinois and will be maintained in accordance with state and federal requirements for retention of patient medical records. Impact letters were mailed to all providers within 45 minutes asking for impact statements from these providers. The State Board has not received an impact statements to date. Valley Ambulatory Surgery Center, L.P. has provided notice of closure to the local media that the health care facility would routinely notify about facility events. A copy of the notice is included with this attachment. The notice was sent to the WGN Suburban Local News, Kane County Chronicle, Daily Herald, Becker's ASC Review, Outpatient Surgery magazine, and the Ambulatory Surgery Center Association. The notice was also sent to the Office of the Mayor of St. Charles, Illinois. [Exemption Application page 74 and pages 78-79]

As part of this discontinuation, Valley Medical Inn, a nine-bed post surgical recovery care center, will be discontinued if the proposed establishment/relocation (Project #15-057) is approved. A Postsurgical Recovery Care Center is a designated site which provides postsurgical recovery care for generally healthy patients undergoing surgical procedures that require overnight nursing care, pain control, or observation that would otherwise be provided in an inpatient setting. Such a center may be either freestanding or a defined unit of an ambulatory surgical treatment center or hospital. The maximum

length of stay for patients in a postsurgical recovery care center is not to exceed 72 hours.
(Section 35 of the Alternative Health Care Delivery Act [210 ILCS 3/35])

Safety Net Impact Statement

- 1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.**

The project to discontinue the ambulatory surgical treatment center ("ASTC") located at 2210 Dean Street will have no negative impact on essential safety net services in the community or in the planning area because Valley Ambulatory Surgery Center, L.P. plans to build a replacement facility across the street from the existing ASTC. The new facility will be located at 2475 Dean Street, approximately one-quarter (1/4) mile from the existing ASTC. Thus, there will be no interruption in any services provided to area residents, and the new location will offer convenience and close proximity to the existing location.

- 2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.**

The project will not have an impact on the ability of other providers or health care systems to cross-subsidize safety net services, because the Applicants plan to build a replacement facility close in proximity to the facility that will be discontinued.

- 3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.**

Because the Applicants plan to build a replacement facility one-quarter (1/4) mile from the existing ASTC that they propose to discontinue, there will not be an impact on safety net providers in the community.

As a non-hospital owned ASTC, Valley Ambulatory Surgery Center, LP ("VASC") is not nor is it owned by a safety net institution. In addition, VASC is not a Medicaid provider. VASC is a Medicare provider, though, and serves a large number of Medicare Part B patients. The ASTC has a policy and procedure for offering indigent care and exercises this when appropriate. However, VASC does not track the charity care patients by individual, but rather by charity dollars via a financial transaction code. In addition, each line item of a claim would need to be written off for a claim/charge already produced and could potentially mean that one patient might have one write off or multiple write offs. In summary, with the ASTC providing access and treatment for thousands of Medicare beneficiaries annually coupled with the fact that VASC is not part of a hospital system or affiliated with a not-for-profit entity, VASC does not track charity care with the same accounting drill-down that a hospital would perform.

Valley Ambulatory Surgery Center, L.P. is not enrolled as a Medicaid provider; therefore, no Medicaid information is set forth.

Valley Ambulatory Surgery Center Charity Care			
	2016	2015	2014
Number of Patients ⁽¹⁾	50	40	80
Net Patient Revenue	\$10,154,284	\$10,408,499	\$8,814,331
Cost of Charity Care	\$11,729	\$17,687	\$22,183
1. Number of Patients provided January 10, 2018			

The discontinuation of Valley Ambulatory Surgery Center's existing facility will not impact safety net services or access to care, because it plans to establish a replacement facility one quarter (1/4) mile from the existing facility. The purpose for relocating to a new facility is to improve the clinical environment for patients.

The Applicants provided additional information regarding charity care that was received January 10, 2018. The Applicants stated

"You asked us to confirm that the charity care expense listed for each year in VASC's Certificate of Need application was not a bad debt write-off. We have confirmed with VASC's Administrator, Daniel Hauer, that the charity care expense total did not include bad debt writeoffs.

VASC writes off amounts as bad debt when an amount has aged 121 days or more, and collection activities have been deemed fruitless. In contrast, charity care is provided and tracked when VASC has agreed with the patient to provide care at reduced or no charge based on the patient's financial circumstances and resources. In accordance with VASC's charity care policy, the patient submits a written charity care application, which includes completing certain financial and income statements. VASC notifies patients about their eligibility within seven days of receipt of the completed application. The decision to provide reduced or no cost care is usually pre-approved in advance of the patient's surgery date. VASC's provision of care at reduced or no charge to indigent patients fits within the Illinois Health Facilities Planning Act's definition of charity care as "care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer." 20 ILCS 3960/3. VASC is pleased to provide these services to the community and will continue to do so if its application to relocate its facility is approved.

You also asked about the total number of patients that VASC provided charity care for in the past few years. As we discussed, VASC's ambulatory surgical treatment center ("ASTC") facility profile for 2016 lists \$11,729 in charity care expense, but did not state a specific number of patients, and you requested a specific number of patients who received charity care over the past few years. As we noted in our application replacement pages submitted on October 30, 2017, VASC does not currently track the charity care patients by individual, but rather by charity dollars via transaction code. To estimate the numbers of patients for whom VASC provided charity care, VASC staff manually sorted financial transactions to identify the number of patient accounts. Those numbers are provided in the Table above.

Review Board data shows that VASC provided the 25th highest amount of charity by an ASTC in 2016, placing it in the top 20% of ASTC charity care providers in the state that year. In the 2016 ASTC Data Spreadsheet/Facility Profiles available on the Review Board's website, there were 141 ASTC's in Illinois reporting charity care expense and Medicaid revenue. There were 54 ASTC's that reported providing some amount of charity care, and 87 ASTC's reported no charity

care expense at all. Of the ASTC's that reported higher charity care expense than VASC in 2016, nine facilities were affiliated with hospitals, and thus were likely required to comply with a more stringent not-for-profit hospital charity care policy. In addition, more than 50 ASTC's (over 35%) reported no Medicaid revenue in 2016. In December 2017, VASC enrolled as a provider in the Medicaid program with the Illinois Department of Healthcare and Family Services."

4. Public Hearing

A public hearing was held on January 18, 2018.

5. Criterion 77 ILAC 1130.500, Criterion 77 ILAC 1130.525- Application for permit or exemption; exemption regulations.

All information required by the State Board has been submitted.