



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-02	BOARD MEETING: December 4, 2018	PROJECT NO: 18-018	PROJECT COST: Original:\$4,078,415
FACILITY NAME: North Suburban Pain & Spine Center		CITY: Des Plaines	Modification: \$4,076,454
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicant (North Suburban Pain & Spine Center, LLC) is proposing to establish a multi-specialty ambulatory surgical treatment facility (ASTC) in Des Plaines at a cost of \$4,076,454. The project completion date as stated in the application is June 30, 2020.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicant (North Suburban Pain & Spine Center, LLC) is proposing to establish a multi-specialty ambulatory surgical treatment facility at 9680 Golf Road, Suite 102, Des Plaines. The project cost is \$4,076,454. The project completion date as stated in the application is June 30, 2020.
- The proposed project was modified on August 10, 2018 that reduced the cost from \$4,078,415 to \$4,076,454 or \$1,961.
- The facility will be housed in 6,980 GSF of space, of which, 5,565 GSF will be modernized. Upon project completion, the facility will contain 2 operating rooms and eight recovery stations.
- North Suburban Pain & Spine Center, LLC, was formed in February 2018, and is owned/operated by Dr. Darrel Saldanha, M.D. (100% ownership interest). Dr. Saldanha will maintain a minimum 50% ownership interest for the initial two years of operation, and anticipates an additional 3-5 additional physicians will purchase ownership shares in the surgery center.
- The proposed project is a substantive project subject to 77 IAC 1100 (Part 1110) and 77 IAC 1120 (Part 1120) review. A Safety Net Impact statement accompanied the application.

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 Applicant stated:

"The proposed project will improve the health care and well-being of the market/service area population to be served. Additionally, the project will significantly improve accessibility to lower-cost pain management, neurosurgery, and orthopedic surgery services than are currently provided in the hospital setting through the establishment of an ASTC that will provide pain management and neurosurgery (primarily spine) services. The goal of the project is to reduce the reliance on hospitals for the services to be provided in the proposed ASTC in a safe and less costly manner."

PUBLIC HEARING/COMMENT:

- A public hearing was offered in regard to the proposed project, but no public hearing was requested. No letters of opposition were received by the Board Staff in regard to the proposed project. A letter of support was received from Stuart Gimbel, Esq. that stated in part:

"What-sets Dr. Saldanha and MAPS (Midwest Anesthesia and Pain Specialists, S.C.) apart from other physicians in the field is their commitment to excellence and their holistic approach to pain treatment. Dr. Saldanha and the physicians at MAPS use state of the art procedures to manage and treat a patient's pain without overreliance on pharmaceutical options which only offer temporary relief of pain symptoms. Unfortunately, as we have seen recently, this can often lead to patients becoming addicted and caught in a never-ending cycle of pain and pain medications. With a patient-centered care model, Dr. Saldanha works with patients to identify treatments that will allow them to return to daily life without chronic pain and without resorting to regular use of opioid based pain medications. He is open to all available alternatives and, despite appreciating the overwhelming need for increased access to surgical interventional pain management options, he is open to exploring any and all proper methods that will meet the needs of the patients under his care."

SUMMARY:

- The State Board Staff reviewed the application for permit and additional information provided by the Applicant and note the following:
- North Suburban Pain and Spine Center, LLC proposes to establish a multi-specialty ASTC in Des Plaines. The 6,980 GSF facility will consist of two operating rooms, eight recovery stations, and offer neurosurgery, orthopedic surgery, and pain management services. The proposed ASTC will be located in a building located adjacent to an existing medical clinics building. The remaining space in the proposed medical office building will be used primarily for physician's office space. There is excess capacity in the proposed 10-mile geographical service area at hospitals and the multi-specialty ASTCs.

The Applicant addressed a total of twenty-two (22) criteria and was not compliant with the following:

Criteria	Reasons for Non-Compliance
77 ILAC 1110.235 (c) (2) (A)&(B) Service to Residents of GSA	The Applicant must provide patient origin information by zip code for the prior 12 months. This information must verify that <u>at least 50%</u> of the facility's admissions were residents of the geographic service area (10-mile radii). The Applicant provided patient origin information by zip code or residence but 50% of the admissions were not withing the 10-mile radii. [See page 10 of this report]
77 ILAC 1110.235(c)(7) – Unnecessary Duplication of Service/Maldistribution/Impact on Other Facilities	There are six (6) hospitals within ten (10) miles of the proposed project. All are not at target occupancy for either surgery or procedural services. Of the twelve (12) operating ASTCs within ten (10) miles, none are at target occupancy. (See Table Eight at the end of this report)

STATE BOARD STAFF REPORT
North Suburban Pain and Spine Center
Project #18-018

APPLICATION CHRONOLOGY	
Applicant	North Suburban Pain and Spine Center, LLC
Facility Name	North Suburban Pain and Spine Center
Location	9680 Golf Road, Des Plaines
Permit Holder	North Suburban Pain and Spine Center, LLC
Operating Entity/Licensee	North Suburban Pain and Spine Center, LLC
Owner of Site	General Property Management, LLC
Gross Square Feet	6,980 GSF
Application Received	June 27, 2018
Application Deemed Complete	June 29, 2018
Financial Commitment Date	June 30, 2020
Anticipated Completion Date	June 30, 2020
Review Period Ends	October 25, 2018
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	No

I. Project Description

The Applicant (North Suburban Pain and Spine Center, LLC) is proposing to establish a multi-specialty ambulatory surgical treatment facility at a cost of \$4,076,454, located at 9680 Golf Road, Des Plaines. The project completion date is June 30, 2020.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is **not** in conformance with all relevant provisions of Part 1110.
- B. The State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1120.

III. General Information

The Applicant is North Suburban Pain and Spine Center, LLC. The proposed project will establish a multi-specialty ASTC in Des Plaines, providing neurologic, orthopedic, and pain management surgical procedures. The 6,980 GSF facility will have two operating rooms and eight recovery stations. North Suburban Pain and Spine Center LLC is a physician-owned limited liability company, founded in February 2018. The sole investor/physician-owner is Dr. Darrel Saldanha M.D. (100% ownership interest). Dr. Saldanha will maintain a minimum 50% ownership for a minimum of two years, before opening up share purchasing options to 3-5 additional physicians in the future.

IV. Health Service Area/Health Planning Area

The proposed ASTC will be located in suburban Cook County in Health Service Area 07. HSA-07 includes DuPage and suburban Cook County. There are fifty-five (55) Ambulatory Surgical Treatment Centers in HSA-VII, containing 168 operating rooms.

V. Project Description

North Suburban Pain and Spine Center, LLC proposes to establish a multi-specialty ASTC in Des Plaines. The facility will provide Orthopedic, Neurologic, and Pain Management surgical procedures. The 6,980 GSF facility will be located in a medical office building, which will include physician's offices. The proposed ASTC will contain two operating rooms and eight recovery rooms.

VI. Project Costs

The Applicant is proposing to fund the project with a combination of cash and securities in the amount of \$677,481, a mortgage totaling \$2,032,442, and the fair market value of a lease totaling \$1,366,532. The estimated start-up cost/operating deficit is \$75,000.

Table Three			
Project Uses and Sources of Funds			
Use of Funds	Reviewable	Non Reviewable	Total
Preplanning Costs	\$30,000	\$6,000	\$36,000
Site Preparation	\$33,750	\$11,250	\$45,000
Modernization Contracts	\$1,152,800	\$295,800	\$1,448,600
Contingencies	\$52,400	\$17,400	\$69,800
Architectural/engineering Fees	\$130,000	\$98,000	\$228,000
Consulting and Other Fees	\$93,750	\$31,250	\$125,000
Moveable or Other Equipment	\$635,000	\$65,000	\$700,000
Net Interest Expense During Construction	\$43,142	\$14,381	\$57,522
Fair Market Value of Leased Space/Equipment	\$1,024,899	\$341,633	\$1,366,532
Total Use of Funds	\$3,195,741	\$880,714	\$4,076,454
Sources of Funds			
Cash and Securities	\$542,710	\$134,770	\$677,481
Mortgages	\$1,628,131	\$404,310	\$2,032,442
Leases (FMV)	\$1,024,899	\$341,633	\$1,366,532
Total Source of Funds	\$3,195,741	\$880,714	\$4,076,454
Source: Application for Permit Page 6			

VII. Purpose of the Project, Safety Net Impact Statement, Alternatives

A) Criterion 1110.110(a) - Background of the Applicant

To demonstrate compliance with this criterion the Applicant must provide documentation of the following:

- 1) Any adverse action taken against the applicant, including corporate officers or directors, LLC members, partners, and owners of at least 5% of the proposed healthcare facility, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application.
- 2) A listing of all health care facilities currently owned and/or operated by the Applicant in Illinois or elsewhere, including licensing, certification and accreditation identification numbers, as applicable;

North Suburban Pain and Spine Center, LLC is the sole Applicant and owner of North Suburban Pain and Spine Center, Des Plaines. North Suburban Pain and Spine Center LLC is a physician-owned limited liability company, founded in February 2018. The sole investor/physician-owner is Dr. Darrel Saldanha M.D. (100% ownership interest). Dr. Saldanha will maintain 50% ownership for a minimum of two years, before opening up share purchasing options to 3-5 additional physicians in the future. The Applicant supplied proof of its Certificate of Good Standing, and licensure/accreditation credentials will occur should the project be approved. A letter was supplied, permitting the State

Board and IDPH to verify any information contained in this application. [Source: Application for Permit pg. 36]

Dr. Saldanha M.D. has a history of performing outpatient procedures at Hyde Park Surgical Center, a multi-specialty ASTC located in Chicago. (Application, pg. 46).

A copy of the term sheet for the building lease between North Suburban Pain and Spine Center, LLC and General Property Management, LLC was provided on page 26 as evidence of site ownership.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANT (77 ILAC 1110.110(a))

B) Criterion 1110.110(b) – Purpose of the Project The Applicant is asked to:

1. Document that the project will provide health services that improve the health care or wellbeing of the market-area population to be served.
2. Define the planning area or market area, or other area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project.
4. Cite the sources of the information provided as documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

The Applicant stated the following:

“The proposed project will improve the health care and well-being of the market/service area population to be served. Additionally, the project will significantly improve accessibility to lower-cost pain management, neurosurgery, and orthopedic surgery services than are currently provided in the hospital setting through the establishment of an ASTC that will provide pain management and neurosurgery (primarily spine) services. The goal of the project is to reduce the reliance on hospitals for the services to be provided in the proposed ASTC in a safe and less costly manner.”

B) Criterion 1110.110(c) – Safety Net Impact

Statement The Applicant asked to document:

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.**
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 Applicant stated the following:

“Due to the nature of an ASTC, such facilities are not providers of safety net services, with all procedures scheduled on an elective basis. The applicant, however, intends that the proposed ASTC becomes a valued member of the community, and to the extent reasonable, anticipated participation in community-based events, such as health fairs is anticipated.”

The US Department of Health and Human Services defines safety net providers: “providers that organize and deliver a significant level of both health care and other health-related services to the uninsured, Medicaid, and other vulnerable populations,” as well as providers “who by mandate or mission offer access to care regardless of a patient’s ability to pay and whose patient population includes a substantial share of uninsured, Medicaid, and other vulnerable patients”

TABLE FOUR
Anticipated Payor Mix
North Suburban Pain and Spine Center, LLC

Medicare	30%
Blue Cross/Blue Shield	30%
Other PPOs	20%
Medicaid	10%
Worker’s Comp	9%
Charity Care*	1%
Source: Application for Permit page 23	

- No expectation of payment prior to provision of service

C) Criterion 1110.110 (d) Alternatives to the Project

To demonstrate compliance with this criterion the Applicant must document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

The Applicant considered two alternatives in total. [Application for Permit page 38-39]

1. Establish ASTC in an Alternative Location

The applicant notes the selected site at the intersection of I-294 and Golf Road, provided optimal patient accessibility over other sites proposed. The Applicant rejected this alternative and identified no project costs.

2. Renovate Existing Space in On-Site Building

The Applicant rejected this alternative because the building’s age, its utility configuration, and its structural design. The applicant further notes that any renovations in these areas identified would result in excessive costs. No project costs were identified with this alternative although it is described as being approximately 20% less costly.

VIII. Size of the Project, Projected Utilization of the Project, Assurances

A) Criterion 1110.120 (a) – Size of the Project

To document compliance with this criterion the Applicant must document that the proposed surgical rooms and recovery stations meet the State Board GSF Standard’s in Section 1110.Appendix B.

The Applicant proposes to establish a limited specialty ASTC in 6,980 GSF of space. The clinical portion, (5,240 GSF), will accommodate two Class C surgical suites (2,620 GSF) and eight recovery stations (2,620 GSF). The State standard for ASTC

rooms is 2,075 - 2,750 DGSF per room. The reported spatial allocations (1,310 GSF/surgical suite and four recovery stations per suite) meets the state standard for size compliance and the requirements of the criterion.

B) Criterion 1110.120 (b) – Projected Utilization

To document compliance with this criterion the Applicant must document that the proposed surgical/procedure rooms will be at target utilization or 1,500 hours per operating/procedure room by the second year after project completion. Section 1110. Appendix B

The State Board Standard is 1,500 hours per operating room. The Applicant supplied referral letters from seven physicians (see Table Five), agreeing to the referral of 2,025 patients (application pgs. 46-74). This equates to 1,677 hours by the second year of operation. The Applicant met the requirements of this criterion. (Application p. 41)

TABLE FIVE Projected Utilization per Physician North Suburban Pain and Spine Center, Des Plaines		
Physician	Historical Volume (12 months 2017)	Anticipated Referrals
Dr. Saldanha	977	200
Dr. Salehi	168	150
Dr. Rock	1,154	450
Dr. Rakic	1,703	600
Dr. Pontinen	1,310	400
Dr. Farag	2,276	50
Dr. Sclamberg	344	175
TOTAL	7,932	2,025
Pain Management: .53 hrs. Neurosurgery: 3.54 hrs. Orthopedic Surgery: 1.4 hrs.		

C) Criterion 1110.120 (d) – Unfinished or Shell Space

To document compliance with this criterion the Applicant must provide an attestation that the proposed project will be at target occupancy two years after project completion.

The project will not include shell space, this criterion is inapplicable.

D) Criterion 1110.120 (e) Assurances

The Applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after project completion, the Applicant will meet or exceed the utilization standards specified in Appendix B.

The Applicant supplied the necessary attestation that the proposed ASTC will be operating in compliance with the State Board utilization standard by the second year after project completion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA SIZE OF THE PROJECT, PROJECTED UTILIZATION, SHELL SPACE, AND ASSURANCES (77 ILAC 1110.120 (a), (b), (d) and (e))

IX. Establish an Ambulatory Surgery Surgical Treatment Center

A) Criterion 1110.235(c)(2)(A) and (B) – Service to GSA Residents

To demonstrate compliance with this criterion the Applicant must provide a list of zip codes that comprise the geographic service area. The Applicant must also provide patient origin information by zip code for the prior 12 months. This information must verify that at least 50% of the facility's admissions were residents of the geographic service area.

By rule the Applicant must identify all zip codes within the geographical service area (10 miles) of the proposed ASTC. The Applicant provided this information on page 43 of the application, and the referral letters include a listing of historical patient origin information for 7,932 patients originating from zip codes, which due to physician office locations, result in a significant portion of the patient referrals being from zip codes outside the service area (Application, p. 42).

In addressing this section the Applicant stated the following “It should be noted, however, that because of the current office locations of some of the physicians anticipated to refer patients to the proposed ASTC, a significant portion of some physicians' caseloads reside outside of the ASTC. As required, historical patient origin information is provided in the physician referral letters provided later in this application. It is anticipated, however, that the patient origin of some of the physicians will be significantly different following the ASTC's opening, with a higher percentage of their patients being GSA residents. The ASTC will be located adjacent to an existing medical clinics building and located in a new building that will include physicians' office space. It is anticipated by the applicant that a number of physicians that will refer patients to the ASTC will secure either full- or part-time office space in those two buildings, and a higher percentage of those physicians future patients will be GSA residents.

By rule the Applicant must document that 50% of the proposed referrals (surgeries) will be provided to residents residing within the 10-mile radius (“GSA”). The Applicant did not do this. The Applicant has not met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION GEOGRAPHIC SERVICE AREA NEED (77 ILAC 1110.235(c)(2)(A) and (B))

B) Criterion 1110.235 (c) (3) - Service Demand – Establishment of an ASTC Facility

To demonstrate compliance with this criterion the Applicant must provide physician referral letters that attest to the total number of treatments for each ASTC service that was referred to an existing IDPH-licensed ASTC or hospital located in the GSA during the 12-month period prior to the application. The referral letter must contain:

1. Patient origin by zip code of residence;
2. Name and specialty of referring physician;
3. Name and location of the recipient hospital or ASTC; and
4. Number of referrals to other facilities for each proposed ASTC service for each of the latest two years;
5. Estimated number of referrals to the proposed ASTC within 24 months after project completion
6. Physician notarized signature signed and dated; and
7. An attestation that the patient referrals have not been used to support another pending or approved CON application for the subject services.

By rule the referrals to a proposed ASTC must be from IDPH licensed ASTC's or hospitals. The Applicant submitted seven referral letters attesting to the historical patient referrals for 7,932 surgeries/procedures in the past year (2017), and the approximate referral of patients for 2,025 procedures to the ASTC, by the second year after project completion. 6,282 of the historical referrals were office based, and not from IDPH-licensed ASTCs or hospitals in the proposed GSA and cannot be accepted. However, the Applicant has met the requirements of this criterion with the 1,650 historical projected referrals to the existing ASTCs and hospitals, and to the proposed ASTC, after project completion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SERVICE DEMAND (77 ILAC 1110.235(c)(3))

C) Criterion 1110.235(c)(5) - Treatment Room Need Assessment

To document compliance with this criterion the Applicant must provide the projected patient volume or hours to justify the number of operating rooms being requested. The Applicant must document the average treatment time per procedure.

1. Based upon the State Board Staff's review of the referral letters, the Applicant can justify 1,677 hours (2,025 procedures), in the first year after project completion. This number of operating/procedure hours justifies the two (2) surgical suites being requested by the applicant.
2. The Applicant supplied an estimated time per procedure (Table Six), which includes prep/clean-up. This time was gathered from historical procedures performed at facilities in the service area in the past 12 months (2017), and average procedure times were calculated from these data.

Table Six Estimated Number of Procedures/Time per Procedure			
Specialty	Cases	Hours/Case	Total Hours
Pain Management	1,700	0.53	901
Neurosurgery	150	3.54	531
Orthopedic Surgery	175	1.40	245
Total	2,025	1.82 hrs/avg.	1,677

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION TREATMENT ROOM NEED ASSESSMENT (77 ILAC 1110.235(c)(5))

D) Criterion 1110.235(c)(6) - Service Accessibility

To document compliance with this criterion the Applicant must document that the proposed ASTC services being established is necessary to improve access for residents of the GSA by documenting one of the following:

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.
1. There are existing ASTCs/Hospitals in the identified GSA that are under-utilized. [See Table Nine at the end of this report.]

The Applicant notes there are twelve (12) licensed ASTCs and six (6) acute care hospitals in the service area. State Board staff notes a majority of these facilities provide Orthopedic and Pain Management services. However, none of the ASTCs in the defined service area provide neurological surgical services. By rule (77 ILAC 1110.235(c)(6)(3) above) an Applicant has successfully addressed this criterion if one of the four sub-criterion had been met. By providing neurological surgical services that are not currently available in the GSA that are components of an ASTC service the Applicant has successfully addressed this criterion.

2. The State Board Staff does not consider the proposed project a cooperative venture with one of the persons operating an existing hospital.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 ILAC 1110.235(c) (6))

E) Criterion 1110.235(c)(7) - Unnecessary Duplication/Mal-distribution/Impact on Other Providers

1. To demonstrate compliance with this criterion the Applicant must provide a list of all Licensed hospitals and ASTCs within the proposed GSA and their historical utilization (within the 12-month period prior to application submission) for the existing surgical/treatment rooms.
- 2) To demonstrate compliance with this criterion the Applicant must document the ratio of surgical/treatment rooms to the population within the proposed GSA that exceeds one and one half-times the State average.
- 3) To demonstrate compliance with this criterion the Applicant must document that, within 24 months after project completion, the proposed project:
 - A) Will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and
 - B) 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.

The Applicant stated the following to address this criterion:

The Applicant identified a general service area (GSA) extending 10 miles in all directions from the site of the proposed ASTC, and Board Staff concurs with these findings. This GSA includes 124 zip codes. The population estimate for this GSA is approximately 3,980,000, per GeoLytics.

There are a total of six (6) hospitals and twelve (12) ASTCs in the identified 10-mile service area. [See Table Nine at the end of this report].

1. Unnecessary Duplication of Service

According to the applicant, the project will not result in an unnecessary duplication of service, based on the specialty services provided, and notes no other ASTC in the service area provides neurological surgical procedures. Board Staff concurs with the noted absence of neurological surgical services, and affirms that four (4) of the twelve (12) (33%) ASTCs provide Pain Management services, and seven of the twelve (12) (58.3%) ASTCs provide Orthopedic surgical services.

1.Limited/Multi-Specialty ASTCs

There are twelve (12) limited/multi-specialty ASTCs within ten (10) miles. None are operating at target occupancy. Five (5/41%) of the twelve (12) ASTCs did not provide Medicaid services in CY 2016.

2.Hospitals

There are six (6) hospitals within the proposed 10 mile GSA, two (2/33%) of the hospitals are at the target occupancy of 1,500 hours for surgery and three (3/50%) are at operational capacity for procedure room services.

2. **Mal-Distribution**

The Applicant notes the room to population ratio does not indicate a surplus of surgical rooms in the service area (see Table Seven)

TABLE SEVEN			
Room to Population Ratio			
	Population	Rooms	Rooms to Population
State	13,129,223*	2,904	1:4,521
GSA	3,980,000	162	1:24,568
*2020 population projection			

Reviewer Note: A surplus is defined as the ratio of operating/procedure rooms to the population within the forty-five (45) minute GSA [GSA Ratio], to the State of Illinois ratio that is 1.5 times the GSA ratio.]

3. **Impact on Other Facilities**

The Applicant stated that they cannot document with any certainty that the proposed project will not lower utilization at other ASTCs in the service area. However, no other provider within the ten (10) mile service area will be impacted due the provision of neurological surgical services, a service currently not provided in the GSA. The procedure is considered specialized and is normally performed in hospital operating rooms. The proposed project will actually allow the Applicant to perform more of the specialized procedures in an ASTC setting, and allow practicing physicians in the service area to increase their referral volume.

The Applicant has not met this requirement because there are number of existing ASTCs and hospitals currently underutilized in the proposed GSA.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE, MALDISTRIBUTION/ IMPACT ON OTHER FACILITIES (77 ILAC 1110.235(c)(7))

F) **Criterion 1110.235 (c)(8) - Staffing**

To demonstrate compliance with this criterion, the Applicant must provide documentation that relevant clinical and professional staffing needs will be met and a medical director will be selected that is board certified.

To address this criterion the applicant attests the proposed facility will operate with sufficient staffing levels required for licensure and the provision of safe and effective care, and that recruitment for these positions will commence within 6 months of project completion. Based upon the information provided in the application for permit, it appears that the proposed ASTC will be properly staffed.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 ILAC 1110.235(c)(8))

G) Criterion 1110.235(c)(9) - Charge Commitment

To document compliance with this criterion the Applicant must provide 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).

The Applicant supplied a statement of charges (application, p. 81-82) and attested that the identified charges will not increase for at least the first two years the Applicant is in operation as an ASTC.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CHARGE COMMITMENT (77 ILAC 1110.235(c)(9))

H) Criterion 1110.235 (c)(10) - Assurances

To demonstrate compliance with this criterion the Applicant must attest that a peer review program will be implemented and the proposed ASTC will be at target occupancy two years after project completion.

Through the signed certification page, the Applicant attests that North Suburban Pain and Spine Center, LLC will implement a peer review program to maintain quality patient care standards, and meet or exceed the utilization standards specified in 77 IAC 1100, by the second year of operation.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.1540 (c))

X. Financial Viability

The purpose of the Illinois Health Facilities Act “*This Act shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs.*” [20 ILCS 3960]

A) Criterion 1120.120 - Availability of Funds

To demonstrate compliance with this criterion the Applicant must document that funds are available.

The Applicant (North Suburban Pain & Spine Center, LLC) is proposing to fund the project with a combination of cash and securities in the amount of \$677,481, a loan/mortgage totaling \$2,032,442, and the fair market value of leases totaling \$1,366,532. The Applicant is a new entity therefore no historical financial statements are available. North Suburban Pain and Spine Center, LLC is wholly owned by Dr. Darrel Saldanha, who entertains the option of allowing physician investors the opportunity to purchase shares, with his maintaining a 50% ownership interest for a minimum two years after project completion.

The Applicant furnished two letters as evidence of the availability of financing for the proposed project and related equipment. The first letter (application, pgs. 88-89), outlines Republic Bank- Oak Brook’s proposal to lend up to \$900,000 for equipment related to the project, and the terms of its financing. The second letter, (application, pgs. 90-92), from the same lender, outlines a proposal to lend up to \$1,280,000, for the construction/establishment of the facility.

The Applicant provided a letter from Republic Bank dated November 15, 2018 that stated

“We have a long-standing relationship with Dr, Barrel Saldanha and on July 7, 2018 Rgpublic Bank provided North Suburban Pain and Spine Center, LLC and Dr. Barrel Saldanha two loan proposals to provide financing for a propesed surgery center to be built in Des Plaines, Illinois. With the potential approval by the Illinois Health Facilities and Services Review Board less than a month away Republic Bank is now committed and agrees to provide the financing as proposed in the June 7, 2018 letters and consistant with the terms identified in those letters. This commitment is contingent upon the receipt of a Certificate of Need permit to proceed with the project. We have incredible confidence in the project and believe with Dr. Darrei Saidanha's leadership this medical center will be an industry leader in Illinois.”

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

B) Criterion 1120.130 - Financial Viability

To demonstrate compliance with this criterion the Applicant must provide evidence that sufficient resources are available to fund the project.

The Applicant is a new entity and no historical financial statements are available. The projected information provided by the Applicant is in conformance with the State Board Standard. The Applicant has successfully addressed this criterion.

TABLE EIGHT Projected Financial Ratios: North Suburban Pain and Spine Center, LLC		
	State Board Standard	2021 (Projected)
Current Ratio	1.5	3.31
Net Margin Percentage	3.50%>	21.22%
Percent Debt to Total Capitalization	<80%	51.36%
Projected Debt Service Coverage	>1.75%	3.6%
Days Cash on Hand	>45 days	164.8
Cushion Ratio	>3	3.47

NORTH SUBURBAN PAIN AND SPINE CENTER BALANCE SHEETS		
	Year 1	Year 2
Current Assets		
Cash	\$451,439	\$1,222,361
Accounts Receivable	\$482,997	\$482,997
Fixed Assets, Net	\$2,119,869	\$1,793,439
Other Assets		
Certificate of Need	\$199,650	\$199,650
Deposits	\$9,853	\$9,853
Total Other Assets	\$209,503	\$209,503
Total Assets	\$3,263,808	\$3,708,300
Current Liabilities		
Line of Credit	\$385,000	\$325,000
Current Portion Long Term Debt	\$181,617	\$190,909
Total Current Liabilities	\$566,617	\$515,909
Long Term Debt	\$1,830,605	\$1,639,696
Total Liabilities	\$2,397,222	\$2,155,605
Member's Capital	\$866,586	\$1,552,695
	\$3,263,808	\$3,708,300

**NORTH SUBURBAN PAIN AND SPINE CENTER
PROJECTED PRO FORMA**

	Projected Year 1	Projected Year2
Revenue, Net of Contractual Allowances	\$3,049,982	\$3,863,976
Clinical Expenses		
Medical Supplies	\$865,670	\$1,123,826
<u>Clinical Staff</u>	<u>\$444,288</u>	<u>\$457,617</u>
TOTAL CLINICAL EXPENSES	\$1,309,958	\$1,581,443
GROSS MARGIN	\$1,740,024	\$2,282,533
Administrative Expenses		
Rent	\$118,975	\$121,949
Bad Debt	\$91,499	\$115,919
Charity Care	\$30,500	\$38,640
Admin Staff	\$309,696	\$318,987
Transcription	\$32,508	\$40,032
Medical Director	\$50,000	\$50,000
Linens/Laundry	\$62,307	\$76,728
Office Supplies	\$18,630	\$18,630
Equipment Repair/Maintenance	\$10,000	\$10,000
Equipment Service Contracts	\$25,000	\$25,000
Housekeeping	\$8,500	\$8,500
Hazardous Waste Removal	\$22,349	\$27,522
Utilities	\$15,000	\$15,000
Malpractice/Business Insurance	\$22,250	\$26,000
Telephone	\$6,200	\$6,200
Dues, Subs, Licenses	\$4,200	\$4,200
Legal/Professional Fees	\$12,000	\$12,000
AAAHC Fees	\$12,000	\$0
Depreciation Expense	\$334,430	\$336,430
Interest Expense	\$118,368	\$110,687
Other	\$100,000	\$100,000
Administrative Expenses	\$1,404,412	\$1,462,424
Net Income (Loss)	\$335,612	\$820,109

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

XI. ECONOMIC FEASIBILITY

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

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

The Applicant (North Suburban Pain & Spine Center, LLC) is proposing to fund the project with a combination of cash and securities in the amount of \$677,481, a loan/mortgage totaling \$2,032,442, and the fair market value of leases totaling \$1,366,532.

The Applicant provided a signed, notarized statement from North Suburban Pain and Spine Center stating: (1) that the selected form of debt financing for the project will be at the lowest net cost available. In addition the Applicant stated that the leasing of space was less costly than construction of a freestanding building, and there will be no equipment leased in conjunction with this project. [See page 90-92 of the Application for Permit]

Terms of the loans

	Proposed Terms \$1,280,000
Borrower	North Suburban Pain and Spine Institute
Purpose:	Tenant Improvements
Loan Amount:	\$1,280,000
Collateral:	First Lien on all business assets and a 2nd mortgage and the assignment of rents
Term	72 months
Interest Rate:	• Prime + 1% with a floor of 5% for the first 12 months • Convert to fixed rate based upon the WSJ Prime rate +1% for remaining 60 months

	Proposed Terms \$900,000
Borrower	North Suburban Pain and Spine Institute
Purpose:	Medical Equipment
Loan Amount:	\$900,000
Collateral:	Personal Guarantee
Term	72 months
Interest Rate:	• Prime + 1% with a floor of 5% for the first 12 mo • Convert to fixed rate based upon the WSJ Prime rate +1% for remaining 60 months

As stated above evidence of secured financing was not provided. The Applicant is not in compliance with this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 ILAC 1120.140(a) & (b))

C) Criterion 1120.140(c) - Reasonableness of Project Costs

The State Board staff applied the reported clinical costs against the applicable State Board standards.

Preplanning Costs – These costs total \$30,000, which calculates to 1.6% of the modernization contracts, plus contingencies, plus equipment costs (\$1,840,200). This is in conformance with the State Board standard of 1.8%

Site Preparation – These costs total \$33,750, which calculates to 2.8% of the construction/modernization and contingency costs (\$1,205,200). This is in conformance with the State Board standard of 5%.

Modernization Costs and Contingencies – These costs total \$1,205,200, which calculates to \$230 per GSF ($\$1,205,200 / 5,240 \text{ GSF} = \220 per GSF). This appears to be in conformance with the State Board standard of \$281.00 for modernization (2019).

Contingencies – These costs total \$52,400, which is 4.5% of the modernization costs (\$1,152,800) for this project. This cost is in compliance with the State Standard of 10-15%.

Architectural and Engineering Fees – These costs total \$130,000, which is 10.7% of the modernization and contingencies costs of \$1,205,200. The State standard for these costs are 7.62%-11.44%.

Consulting and Other Fees – These costs total \$93,750. The State Board does not have a standard for these costs.

Moveable or Other Equipment – These costs total \$635,000, amounting to \$317,500 per room (2 rooms). These costs appear reasonable when compared to the State Board Standard of \$489,744 per room (2019 standard).

Net Interest Expense During Construction – These cost total \$43,142. The State Board does not have a standard for these costs.

Fair Market Value of Leased Space/Equipment – These cost total \$1,024,899. The State Board does not have a standard for these costs.

The Applicant has met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 ILAC 1120.140(c))

D) Criterion 1120.140(d) Projected Operating Costs

To determine compliance with this criterion the Applicant must provide documentation of the projected operating costs per procedure.

The Applicant provided the necessary information as required. The projected operating cost per surgical case is \$865.76. The State Board has no applicable standard for these costs.

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

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

To determine compliance with this criterion the Applicant must provide documentation of the projected capital costs per equivalent patient day.

The Applicant provided the necessary information as required. The projected capital cost per surgical case is \$456.27. The State Board has no applicable standard for these costs.

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

TABLE EIGHT**Facilities in the 10-Mile Travel Radius of Proposed Facility**

Facility	City	Type	Distance	OR/Procedure Rooms	Hours	Medicaid	Medicare	Met Standard? ⁽¹⁾
ASTC								
Regenerative Surgery Center	Des Plaines	Multi	1.4	3	988.5	N	Y	N
Presence Lakeshore Gastroenterology	Des Plaines	Single	1.5	2*	N/A	N/A	N/A	N
Golf Surgical Center	Des Plaines	Multi	2.9	5/1	4,459	Y	Y	N
Apollo Health Center	Des Plaines	Multi	5	2	N/A	N/A	N/A	N
Illinois Sports Medicine & Orthopedic Ctr.	Morton Grove	Multi	5.2	4/1	3,266	N	Y	N
Northwest Endoscopy Ctr.	Arlington Heights	Single	6.7		N/A	N/A	N/A	N/A
The Glen Endoscopy Center	Glenview	Single	6.7	3*	3,819	Y	Y	N
Northwest Surgicare Healthsouth	Arlington Heights	Multi	7	4/1	3,343	N	Y	N
Northwest Community Day Surgery	Arlington Heights	Multi	7	10	10,384	Y	Y	N
Ravine Way Surgery Center	Glenview	Single	7.1	3/1	3,219	Y	Y	N
Illinois Upper Hand & Extremity Ctr.	Arlington Heights	Single	7.3	1	1,161	N	N	N
Chicago Surgical Clinic	Arlington Heights	Limited	7.9	3	110	N	N	N
*Notes endoscopy procedure room only								

1. Met Standard is the 1,500 hours per operating/procedure room.

TABLE EIGHT (continued)
HOSPITALS WITHIN 10 MILES OF PROPOSED PROJECT

Facility	City	Distance	OR/Procedure Rooms	Hours	Medicaid	Medicare	Utilization Met?
Presence Holy Family Hospital	Des Plaines	1.3	5/5	1,578/543	Y	Y	N/N
Advocate Lutheran General Hospital	Park Ridge	2.4	26/9	43,560/10,594	Y	Y	Y/N
Glenbrook Hospital	Glenview	5.5	9/7	13,103/15,735	Y	Y	Y/Y
Presence Resurrection Medical Center	Chicago	6.8	13/4	11,029/4,111	Y	Y	N/N
Northwest Community Hospital	Arlington Heights	6.9	14/9	19,218/12,025	Y	Y	N/Y
Skokie Hospital	Skokie	8.5	10/7	11,664/13,536	Y	Y	N/Y
Travel time determined using formula in 77IAC 1100.510 (d) Data taken from CY 2016 Hospital/ASTC Profiles NA – information not available							

This map displays the North Suburban region of Illinois, centered around Des Plaines. A callout box identifies a specific location: **North Suburban Pain & Spine Center**, located at **9680 Golf Rd, Des Plaines, IL 60016**. The map shows a network of roads, including major highways like I-90, I-290, and I-55, as well as local roads like W Central Rd, E Euclid Ave, and E Oakton St. Various towns and villages are labeled, such as Deerfield, Northbrook, Northfield, Winnetka, Kenilworth, Wilmette, Evanston, Morton Grove, Skokie, Lincolnwood, and Chicago. Green spaces like the Buffalo Creek Forest Preserve and Busse Woods Forest Preserve are also indicated. The map includes a scale bar and a north arrow.

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