



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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<b>DOCKET NO:</b> H-02	<b>BOARD MEETING:</b> January 15, 2019	<b>PROJECT NO:</b> 18-038	<b>PROJECT COST:</b>
<b>FACILITY NAME:</b> Barrington Pain & Spine Institute		<b>CITY:</b> Barrington	Original: \$800,000
<b>TYPE OF PROJECT:</b> Non-Substantive			<b>HSA:</b> VIII

**PROJECT DESCRIPTION:** The Applicant (Barrington Pain & Spine Institute, LLC) proposes to add Orthopedic and Podiatric surgery services to its current limited-specialty ambulatory surgical treatment center located in Barrington, Illinois. The project cost is \$800,000. The expected completion date is February 28, 2021.

## EXECUTIVE SUMMARY

### **PROJECT DESCRIPTION:**

- The Applicant (Barrington Pain & Spine Institute, LLC) proposes to add Orthopedic and Podiatric surgery services to its existing limited-specialty ambulatory surgical treatment center located in Barrington, Illinois. The proposed project cost is \$800,000. The expected completion date is February 28, 2021.

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

- The project is before the State Board because the project proposes a substantial change in scope as defined at 20 ILCS 3960/5.
- One of the objectives of the Health Facilities Planning Act is *“to assess the financial burden to patients caused by unnecessary health care construction and modification. Evidence-based assessments, projections and decisions will be applied regarding **capacity, quality, value and equity** in the delivery of health care services in Illinois. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.”* [20 ILCS 3960/2]

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

- The Applicant stated the following: *“the primary purpose of this project is to offer patients residing in Barrington and the surrounding area with the full continuum of musculoskeletal surgical care at one location and to increase utilization at Barrington Pain & Spine Institute (BPSI), which has capacity.”*

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

- A public hearing was offered but was not requested. The project file contains no letters of support or letters of opposition.

### **SUMMARY:**

- The purpose of the project as stated above is to offer patients in the service area access to a full service musculoskeletal surgical care facility, and increase operational capacity at Barrington Pain & Spine Institute. If approved, the ASTC will be reclassified a multi-specialty.
- The Applicant has addressed a total 15 criteria and have successfully addressed them all.

**STATE BOARD STAFF REPORT**  
**Project #18-038**  
**Barrington Pain & Spine Institute**

<b>APPLICATION/SUMMARY CHRONOLOGY</b>	
Applicant(s)	Barrington Pain & Spine Institute, LLC
Facility Name	Barrington Pain & Spine Institute
Location	600 Hart Road, Suite 300, Barrington, Illinois
Permit Holder	Barrington Pain & Spine Institute, LLC
Operating Entity/Licensee	Barrington Pain & Spine Institute, LLC
Owner of Site	Hart Road, LLC
Gross Square Feet	10,000 GSF
Application Received	October 12, 2018
Application Deemed Complete	October 16, 2018
Financial Commitment Date	January 15, 2021
Anticipated Completion Date	February 28, 2021
Review Period Ends	December 15, 2018
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	Yes

**I. Project Description**

The Applicant (Barrington Pain & Spine Institute, LLC) proposes to add Orthopedic and Podiatric surgery services to its current limited-specialty ambulatory surgical treatment center located at 600 Hart Road, Suite 300, Barrington, Illinois. The existing ASTC includes two operating rooms (ORs), one procedure room, eight Stage 1 recovery stations and four Stage 2 recovery stations. The total project cost is \$800,000. The expected completion date is February 28, 2021.

**II. Summary of Findings**

- A. State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1110 (77 ILAC 1110).
- B. State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1120 (77 ILAC 1120).

**III. General Information**

The Applicant proposes to add Orthopedic and Podiatric surgery services to its current limited-specialty ambulatory surgical treatment center located at 600 Hart Road, Suite 300, Barrington, Illinois. The existing ASTC includes two operating rooms (ORs), one procedure room, eight Stage 1 recovery stations and four Stage 2 recovery stations. The project cost is \$800,000. The expected completion date is February 28, 2021.

Barrington Pain & Spine Institute, LLC was organized as a Limited Liability Company (LLC) in June of 2010, and is wholly owned by Dr. John V. Prunskis, M.D. (50% ownership), and Terri Dallas-Prunskis, M.D. (41% ownership). The facility is located in the

HSA VIII Health Service Area which includes McHenry, Lake and Kane Counties. Should the State Board approve this project, it will be reclassified as a multi-specialty ASTC, offering the following surgical services: Neurology, Pain Management, Orthopedic, and Podiatric Surgical services.

The proposed project is a non-substantive project subject to a Part 1110 and Part 1120 review. Non-substantive projects are all projects not considered substantive projects. Substantive projects include no more than the following:

1. Projects to construct a new or replacement facility located on a new site; or a replacement facility located on the same site as the original facility and the costs of the replacement facility exceed the capital expenditure minimum.
2. Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.
3. Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a relocation of beds from one facility to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board in the Inventory, whichever is less, over a 2-year period. [20 ILCS 3960/12]

#### **IV. Project Uses and Sources of Funds**

The Applicant is adding two surgical specialties. The capital costs associated with this project (\$800,000) are designated for equipment purchases.

## V. Background of the Applicant

### A) Criterion 1110.110(a) – Background of the Applicant

*An Applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community.* To demonstrate compliance with this criterion the Applicant must provide

- A) 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;
- B) A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility;
- C) Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
- D) An attestation that the Applicant have had no *adverse action*<sup>1</sup> taken against any facility they own or operate or a listing of adverse action taken against facilities the Applicant own.

1. The Applicant has attested that there has been no adverse action taken against Barrington Pain & Spine Institute, LLC during the three (3) years prior to filing the application. [Application for Permit page 85]
2. The Applicant has authorized the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connections the Applicant's certificate of need to add two specialties. The authorization includes, but is not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. [Application for Permit pages 85]
3. The site is owned by Hart Road, LLC and evidence of this can be found at pages 26-73 of the application for permit.
4. Compliance with Executive Order #2006-05 and the Illinois State Agency Historic Resources Preservation Act is not required for projects with no construction.
5. A Certificate of Good Standing from the State of Illinois has been provided at page 75 of the Application for Permit. License and Accreditation are provided at page 83 and 84 of the Application for Permit.

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<sup>1</sup>Adverse action is defined as a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations." (77 IAC 1130.140)

## **VI. Purpose of Project, Safety Net Impact Statement and Alternatives**

The following three (3) criteria are informational; no conclusion on the adequacy of the information submitted is being made.

### **A) Criterion 1110.110 (b) Purpose of the Project**

To demonstrate compliance with this criterion the Applicant must document that the project will provide health services that improve the health care or well-being of the market area population to be served.

The Applicant states: *“The purpose of this project is to offer patients residing in Barrington and the surrounding area with the full continuum of musculoskeletal surgical care at one location and to increase utilization at Barrington Pain & Spine Institute (BPSI), which currently has capacity. Currently, there are four existing or approved surgery centers within BPSI’s geographic service area (10 miles). No surgery center, including BPSI, currently provides the full continuum of care for musculoskeletal disorder, which includes pain management therapies, interventional pain management, and surgery. BPSI currently provides interventional pain management therapies (nerve blocks, epidural injections, facet joint injections, joint/bursa injections. The addition of surgery to this surgery center will allow BPSI to provide a surgical option to patients for whom other treatment options have failed. Highly specialized tools and instrumentation provide for safe and effective treatment of these disorders. Providing these services in a hospital would be at a higher cost. BPSI proposes to add orthopedic and podiatric surgery to its existing surgery center. The addition of these services will allow BPSI to offer the full continuum of musculoskeletal therapies to best manage their patients degenerative conditions, injuries, and chronic pain.”*

### **B) Criterion 1110.110 (c) - Safety Net Impact Statement**

This project is a non-substantive project and a safety net impact statement is not required for non-substantive projects. Charity care information is required, and the Applicant supplied an attestation as supplemental information, which explains that the physicians affiliated with the proposed project have accepted referrals from Lake County Health Department in the past, but did not track the data.

**C) Criterion 1110.110 (d) - Alternatives to the Project**

**To demonstrate compliance with this criterion the Applicant must document all alternatives to the proposed project that were considered.**

The Applicant considered three alternatives in regard to this project.

**Do Nothing/Maintain Status Quo**

The alternative to do nothing was rejected, based on the need to provide a full-service surgical care center for patients with musculoskeletal disorders. Currently, a facility of this nature does not exist in the service area. While the cost of doing nothing is more economical, the proposed investment contemplated by this application would be categorized as ordinary course capital investments, and the expense minimal, in comparison to the benefit to patients in the service area.

**Utilize Other Health Care Facilities**

The Applicant note that while other ASTCs in the service area provide pain management, no surgery center provides the full continuum of care for musculoskeletal disorder, (pain management therapies, interventional pain management, and surgery). The Applicant acknowledge the existence of four area hospitals equipped to perform these procedures, but contend that this is not considered to be efficient use of healthcare resources. The Applicant rejected this alternative, and provided no related costs for this alternative.

**Add Orthopedic and Podiatric Surgery Procedures to the Existing ASTC**

As mentioned earlier in this report, the Applicant have the capacity to incorporate additional surgical specialties to their facility, and the desire to provide the full continuum of care for musculoskeletal disorders in a lower cost/outpatient setting. While this option provided the highest costs of all considered alternatives, the greater access to healthcare services combined with increased utilization at the current ASTC made this alternative the most acceptable. Cost associated with this alternative: \$800,000.

**VIII. Project Scope and Size, Utilization and Assurances**

**A) Criterion 1110.120 (a) - Size of Project**

**To demonstrate compliance with this criterion the Applicant must document that the proposed size of the project is in compliance with the State Board Standard in Part 1110 Appendix B.**

The Applicant is not adding any additional operating/procedure rooms or additional gross square footage to the proposed facility. The current facility employs two operating rooms, one procedure room, eight Stage One recovery stations, and four Stage Two recovery stations. The Applicant has successfully addressed this criterion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF PROJECT (77 ILAC 1110.120 (a))**

**B) Criterion 1110.120(b) – Projected Utilization**

**To demonstrate compliance with this criterion the Applicant must document that the facility will be at target occupancy as specified in Part 1100.**

The State Board does not have a specific utilization standard to add a specialty to an existing ASTC. The utilization standard for an ASTC is 1,500 hours per operating/procedure room. The Applicant are not proposing to add an operating/procedure rooms, and anticipate the addition of two surgical specialties (Podiatry and Orthopedics), to increase utilization of the proposed facility. The Applicant notes having performed 2,347 surgical procedures in 2018, and provided three physician referral letters, attesting to the referral of 143 additional patients. These referrals, combined with the existing service capacity, results in utilization that meets the State Board standard for capacity. The Applicant has successfully addressed this criterion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 ILAC 1110.120(b))**

**C) Criterion 1110.120(e) – Assurance**

**To demonstrate compliance with this criterion the Applicant must document that the proposed project will be 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.**

As documented above the State Board does not have utilization standards for the addition of surgical specialties to an existing ASTC. No operating/procedure rooms are being added. The Applicant have successfully addressed this criterion.

**STATE BOARD STANDARD IS IN CONFORMANCE WITH CRITERION ASSURANCE (77 ILAC 1110.120(e))**

**VIII. Non-Hospital Based Ambulatory Surgical Treatment Center Services**

**A) Criterion 1110.235(a) - 77 Ill. Adm. Code 1100 (Formula Calculation)**

**As stated in 77 Ill. Adm. Code 1100, no formula need determination for the number of ASTCs and the number of surgical/treatment rooms in a geographic service area has been established. Need shall be established pursuant to the applicable review criteria of this Part.**

**B) Criterion 1110.235(c) (2) (B) (i) & (ii) - Service to Geographic Service Area Residents**

**To demonstrate compliance with this criterion the Applicant must document that the primary purpose of the project will be to provide necessary health care to the residents of the geographic service area (GSA) in which the proposed project will be physically located.**

- i) The Applicant must provide a list of zip code areas (in total or in part) that comprise the GSA. The GSA is the area consisting of all zip code areas that are located within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the project's site.**
- ii) The Applicant must provide patient origin information by zip code for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the GSA. Patient origin information shall be based upon the patient's legal residence (other than a health care facility) for the last 6 months immediately prior to admission.**



The Geographic Service Area for a facility located in Barrington, Illinois is 10 miles in all directions per 77 ILAC 1100.510(d). According to the Applicant, there is an estimated 666,513 individuals within this 10 mile radius, and notes the majority of patients served by BPSI will come from within this 10-mile GSA. [See Application for Permit pages 101-103]

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVICE TO GEOGRAPHIC SERVICE AREA RESIDENTS (77 ILAC 1110.235(c) (2) (B) (i) & (ii))**

**C) Criterion 1110.235(c)(3)(A) & (B) - Service Demand – Establishment of an ASTC Facility or Additional ASTC Service**

To demonstrate compliance with this criterion the Applicant must document that the proposed project is necessary to accommodate the service demand experienced annually by the Applicant, over the latest 2-year period, as evidenced by historical and projected referrals. The Applicant shall document the information required by subsection (c) (3) and either subsection (c) (3) (B) or (C):

**A) Historical Referrals**

The Applicant shall provide physician referral letters that attest to the physician's total number of treatments for each ASTC service that has been referred to existing IDPH-licensed ASTCs or hospitals located in the GSA during the 12-month period prior to submission of the application. The documentation of physician referrals shall include the following information:

- i) patient origin by zip code of residence;
- ii) name and specialty of referring physician;
- iii) name and location of the recipient hospital or ASTC; and
- iv) number of referrals to other facilities for each proposed ASTC service for each of the latest 2 years.

The Applicant provided referral letters from three physicians. The three letters provided patient origin by zip code of residence, name and specialty of referring physician, name and location of the health care facility the patient was referred, and the number of referrals for the period 10/01/2016-9/30/2017. The Applicant have successfully addressed this criterion.

<b>TABLE ONE</b>		
<b>Referral Letters and Sources</b>		
<b>Procedure Location</b>	<b>Historical Referrals</b>	<b>Projected Referrals to BPSI</b>
<b>Dr. Quinn E. Regan M.D. (Orthopedic Surgery)</b>		
Northwest Comm. Hospital/NXCH Day Surgery	39	23
<b>Dr. Anthony Savino M.D. (Orthopedic Surgery)</b>		
Good Shepherd Hospital	240	90
<b>Dr. Myron Wolf M.D. (Podiatry)</b>		
Alexian Brothers Medical Center	100	20
St. Alexius Medical Center	30	5
Surgery Center	30	5
<b>TOTAL</b>	<b>439</b>	<b>143</b>

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVICE TO GEOGRAPHIC SERVICE AREA RESIDENTS (77 ILAC 1110.235(c) (3) (A) & (B))**

**D) Criterion 1110.235(c)(5)(A) & (B) - Treatment Room Need Assessment**

A) To demonstrate compliance with this criterion the Applicant must 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.

B) For each ASTC service, the Applicant must provide the number of patient treatments/sessions, the average time (including setup and cleanup time) per patient treatment/session, and the methodology used to establish the average time per patient treatment/session (e.g., experienced historical caseload data, industry norms or special studies).

The Applicant currently has two operating rooms, one procedure room, and nine recovery stations. No new operating or procedure rooms are being proposed.

The table below shows the historical utilization at the facility for the period 2013-2016. Based upon the historical utilization the Applicant can justify the two operating rooms and one procedure room.

<b>TABLE TWO</b>					
<b>Barrington Pain &amp; Spine Institute</b>					
<b>Historical Utilization <sup>(1)</sup></b>					
<b>Operating Rooms</b>					
Year	2014	2015	2016	2017	Average
Cases	947	407	140	241	1,554
Hours	483	202	85.25	126.75	224.25
<b>Procedure Rooms</b>					
Cases	3,009	2,773	2,347	2,719	2,712
Hours	1,407	1,294	1,153	1,332	1,296.5

1. Source ASTC Profile Information

The three referring physicians are projecting to refer 143 cases to the Surgery Center. Current utilization justifies the one operating room and two procedure rooms. The Applicant expects the existing volume combined with the additional procedures will increase the utilization at the facility which is necessary to meet the target occupancy of 1,500 hours per operating/procedure room.

While the current and projected utilization does not justify the current number of operating/procedure rooms at the facility, the Applicant by the addition of the two specialties is improving service capability and efficient operation at the facility in accordance with 77 ILAC 1100.370. The Applicant has successfully address this criterion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION TREATMENT ROOM NEED ASSESSMENT (77 ILAC 1110.235(c) (3) (A) & (B))**

### **E) Criterion 1110.235(c)(6) - Service Accessibility**

To demonstrate compliance with this criterion 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:

- A) There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project;
- B) 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;
- C) 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;
- D) The proposed project is a cooperative venture sponsored by 2 or more persons, at least one of which operates an existing hospital. Documentation shall provide evidence that:
  - i) The existing hospital is currently providing outpatient services to the population of the subject GSA;
  - ii) 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;
  - iii) 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
  - iv) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

The Applicant states: *“The purpose of this project is to offer patients residing in Barrington and the surrounding area with the full continuum of musculoskeletal surgical care at one location and to increase utilization at Barrington Pain & Spine Institute (BPSI), which currently has capacity.”*

1. There are 5 ASTCs in the GSA (10-mile radius). Of the 5 ASTCs one is Barrington Pain & Spine Institute Center the subject of this application for permit. [See Table at the end of this report]
2. There are 2 hospitals and 4 ASTCs (Barrington Pain & Spine Institute not included) within the GSA. Both hospitals are at target surgical capacity. Of the 4 ASTCs, none are at target surgical capacity.
3. The services proposed to be added (Orthopedics and Podiatry) are currently available at ASTCs in the GSA. However, the Applicant notes that all surgical services (Neurologic, Orthopedic, Pain Management, Podiatric), are not available at the same facility. The Applicant asserts this combination of surgical services will provide a full continuum of musculoskeletal care to better serve its patient base.
4. The proposed project is for the addition of surgical specialties at an existing ASTC and the existing ASTC is not a cooperative venture.

The purpose of this project is to offer patients residing in Barrington and the surrounding area with the full continuum of musculoskeletal surgical care at one location and to increase utilization at Barrington Pain & Spine Institute (BPSI), which currently has capacity. Based upon the information reviewed by the State Board Staff and summarized above it

appears the proposed addition of the surgical specialties is reasonable and meets the requirements of this criterion.

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

- F) Criterion 1110.235(c) (7) (A) through (C) - Unnecessary Duplication Mal-distribution**
- A) To demonstrate compliance with this criterion the Applicant must document that the project will not result in an unnecessary duplication. The Applicant shall provide the following information for the proposed GSA zip code areas identified in subsection (c) (2) (B) (i):**
- i) the total population of the GSA (based upon the most recent population numbers available for the State of Illinois); and**
  - ii) the names and locations of all existing or approved health care facilities located within the GSA that provide the ASTC services that are proposed by the project.**
- B) The Applicant must document that the project will not result in mal-distribution of services. Mal-distribution exists when the GSA has an excess supply of facilities and ASTC services characterized by such factors as, but not limited to:**
- i) a ratio of surgical/treatment rooms to population that exceeds one and one-half times the State average;**
  - ii) historical utilization (for the latest 12-month period prior to submission of the application) for existing surgical/treatment rooms for the ASTC services proposed by the project that are below the utilization standard specified in 77 Ill. Adm. Code 1100; or**
  - iii) insufficient population to provide the volume or caseload necessary to utilize the surgical/treatment rooms proposed by the project at or above utilization standards specified in 77 Ill. Adm. Code 1100.**
- C) The Applicant must document that, within 24 months after project completion, the proposed project:**
- i) will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and**
  - ii) 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 total population within the GSA is 666,571 (2016 Estimated Population). Population in the State of Illinois is 12,802,632 (2016 Estimated Population/US Census Bureau).

- i) There are 118 operating/procedure rooms in the 10-mile GSA. The ratio of operating/procedure room to population is 1 room per every 5,649 residents within the GSA. The number of operating/procedures is 2,778 in the State of Illinois (2016 Annual Hospital and ASTC Profile). The ratio of operating/treatment room to population is 1 room per every 4,609 residents in the State of Illinois. The ratio of surgical/treatment rooms to population in the GSA is not one and one-half times the State of Illinois ratio.**
- ii) There are 2 hospitals and 4 ASTCs (Barrington Pain & Spine Institute is not included) within the GSA. Table Four shows that both of the hospitals identified are at target surgical capacity. Of the 4 ASTCs none are at target occupancy.**

- iii) The proposed project is not adding additional capacity (operating/procedure rooms) to the GSA but is proposing additional surgical services not currently being provided within the GSA.

The Applicant is proposing to add two surgical specialties to a currently underutilized facility. The proposed addition of specialties will increase utilization at the underutilized facility without adding additional operating/procedure capacity to the GSA. It does not appear that the proposed addition of specialties at one facility will impact other hospitals and ASTCs in the GSA. The Applicant has successfully addressed this criterion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION MALDISTRIBUTION (77 ILAC 1110.235(c) (7) (A) through (C))**

**G) Criterion 1110.235(c)(8)(A) & (B) - Staffing**

**A) Staffing Availability**

To demonstrate compliance with this criterion the Applicant must document that relevant clinical and professional staffing needs for the proposed project were considered and that the staffing requirements of licensure and The Joint Commission or other nationally recognized accrediting bodies can be met. In addition, the Applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

**B) Medical Director**

It is recommended that the procedures to be performed for each ASTC service are under the direction of a physician who is board certified or board eligible by the appropriate professional standards organization or entity that credentials or certifies the health care worker for competency in that category of service.

Barrington Pain & Spine Institute is currently staffed in accordance with IDPH and Joint Commission accreditation<sup>2</sup> staffing requirements. The Applicant anticipate all staff from the existing ASTC will continue to practice there when additional specialties are added. The Applicant does not anticipate issues with hiring additional nurses and Certified Surgical Technologists (CSTs) as needed. Application for Permit page 109.

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

**H) Criterion 1110.235(c)(9)-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 must submit the following:

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

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<sup>2</sup> The **Joint Commission** is a United States-based nonprofit tax-exempt 501(c) organization that accredits more than 21,000 US health care organizations and programs. The international branch accredits medical services from around the world. A majority of US state governments recognize Joint Commission accreditation as a condition of licensure for the receipt of Medicaid and Medicare reimbursements.

A listing of procedures by primary CPT code for the proposed new specialties with the maximum charge has been provided as required (Application for Permit pages 111-134). The Applicant have met the requirements of this criterion.

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

**D) Criterion 1110.235(c)(10)(A) & (B) - Assurances**

To document compliance with this criterion

- A) The Applicant must 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.
- B) 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.

Barrington Pain & Spine Institute will continue its existing peer review program that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for surgical services. If outcomes do not meet or exceed those standards, a quality improvement plan will be initiated.

The Applicant is not adding capacity but are adding surgical specialties at a current underutilized facility to improve service access for residents of the geographical service area. It appears that this proposed project meets the intent of Part 1100 Health Care Facilities Plan that states *“The standards presented herein are designed to promote development of needed facilities and services, avoid duplication of services and prevent unnecessary construction.”*

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.235(c) (10) (A) & (B))**

## **IX. Financial Viability**

### **A) Criterion 1120.120 – Availability of Funds**

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

The Applicant is funding this project with a line of credit in the amount of \$1 million. The Applicant notes Barrington Pain & Spine Institute is a “small closely held company and is not otherwise legally required to maintain audited financial statements as part of its operations.” The Applicant did supply a letter from Barrington Bank and Trust Company, attesting that a line of credit exists between the Applicant and the bank, to fund the \$800,000 to complete the proposed project. The Applicant is a going concern with revenue in 2017 of approximately \$2.8 million (source: 2017 ASTC Profile) and a line of credit from Barrington Bank and Trust of \$1 million (source page 139 of the Application for Permit). Additionally on December 14, 2018 the State Board Staff contacted Barrington Bank and Trust and spoke to Mr. Roy Gibson and Mr. Gibson attested that Barrington Pain and Spine Institute has a line of credit of \$1 million secured by the business assets. The Applicant has met the requirements of this criterion.

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

### **B) Criterion 1120.130 - Financial Viability**

To demonstrate compliance with this criterion the Applicant must document an “A” or better bond rating or provide 3 years of historical financial ratios as required by the State Board or qualify for the financial waiver.

The Applicant will be funding this project from internal sources (line of credit). No financial viability ratios are required.

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

## **X. Economic Feasibility**

### **A) Criterion 1120.140(a) –Reasonableness of Financing Arrangements**

To demonstrate compliance with this criterion the Applicant must document an “A” or better bond rating or attest to the following

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
  - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

- B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.**

A letter from Dr. John V. Prunskis, M.D. manager of Barrington Pain & Spine Institute, attest to the financing arrangement from this project. The Applicant is in compliance with this criterion. [See Application for Permit page 145]

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140(a)).**

**B) Criterion 1120.140(b) – Conditions of Debt Financing**

To demonstrate compliance with this criterion the Applicant must document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment is less costly than constructing a new facility or purchasing new equipment.

The Applicant has a line of credit of \$1 million with Barrington Bank and Trust Company. [See Application for Permit 139]. The Applicant has successfully met the requirement of this criterion.

**STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION TERMS OF DEBT FINANCING (77 IAC 1120.140(b)).**

**C) Criterion 1120.140 (c) – Reasonableness of Project Costs**

To demonstrate compliance with this criterion the Applicant must document that the estimated project costs are reasonable and shall document compliance

Only reviewable/clinical project costs are subject to State Board review. State Board Staff notes the entirety of the project costs are classified as clinical and are designated for the following equipment:

• Orthopedic Surgical Equipment:	\$550,000
• Sterilizer:	\$250,000
TOTAL	\$800,000

The State standard for OR equipment per room for 2020 (mid-point of construction), is \$489,745. The surgery center has 2 operating rooms and 1 procedure room for a total of 3 rooms [3 rooms x \$489,745 per room = \$1,958,980]. The Applicant is in compliance with this criterion.



Standards for capital equipment not included in construction contracts are established by type of facility and are derived from the third quartile costs of previously approved projects for which data are available. The standards apply only to the following types of projects: establishment of new facilities, expansion of existing facilities (e.g., bed additions, station additions, or operating/treatment room additions), and modernization of existing facilities involving replacement of existing beds, relocation of existing facilities, replacement of ASTC operating or procedure room equipment, etc. The standards below are calculated for the year 2008. These will be inflated to the current year using the inflation of major medical equipment by the department (3%). (Long Term Care standard includes ICF/DD.) (Part 1120 Appendix A)

Year	2008	2009	2010	2011	2012	2013	2014
Standard	\$353,802	\$364,416	\$375,349	\$386,609	\$398,207	\$410,153	\$422,458
Year	2015	2016	2017	2018	2019	2020	
Standard	\$422,458	\$435,132	\$448,186	\$461,631	\$475,480	\$489,745	

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

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

To document compliance with this criterion the Applicant must document the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct costs mean the fully allocated costs of salaries, benefits and supplies for the service.

The Applicant is estimating \$403.94 in direct operating costs per surgical case by the second year after project completion at the hospital. The State Board does not have a standard for this criterion.

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

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

To document compliance with this criterion the Applicant must document the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The Applicant is estimating \$32.36 in capital costs per surgical case by the second year after project completion at the hospital. The State Board does not have a standard for this criterion.

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

**TABLE FOUR**  
**Existing Facilities within the GSA**

ASTC	City	Miles	Operating/ Procedure Rooms	Hours	# Rooms Justified	Met Standard?
Hoffman Estates Surgery Center	Hoffman Estates	7.7	4/2	3,874	3	No
Ashton Center for Day Surgery	Hoffman Estates	8.2	4	1,715	2	No
Associated Surgical Center	Arlington Heights	8.7	3	466	1	No
Northwest Surgicare	Arlington Heights	8.9	4/2	3,438	3	No
<b>Total</b>			19	9,438	9	

Hospital	City	Miles	Operating/ Procedure Rooms	Hours	# Justified	Met Standard?
Advocate Good Shepherd Hospital	Barrington	3.1	19	28,533	20	Yes
St. Alexius Medical Center	Hoffman Estates	9.1	21	30,330	21	Yes
<b>Total</b>			40	58,863	41	

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