



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-05	BOARD MEETING: June 4, 2019	PROJECT NO: 19-009	PROJECT COST:
FACILITY NAME: Riverside Ambulatory Surgical Center, LLC		CITY: Bourbonnais	Original: \$185,000
TYPE OF PROJECT: Non-substantive			HSA: IX

PROJECT DESCRIPTION: The Applicants (Riverside Health System d/b/a Riverside Healthcare and Riverside Ambulatory Surgery Center, L.L.C.) propose to add orthopedic surgery specialty to its two room multi-specialty ASTC at a cost of \$185,000. The anticipated completion date is December 31, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Riverside Health System d/b/a Riverside Healthcare and Riverside Ambulatory Surgery Center, LLC) propose to add orthopedic surgery specialty to its two operating room multi-specialty ASTC at a cost of \$185,000. No new operating/procedure rooms are being constructed as part of this project. The anticipated completion date is December 31, 2019.
- The Surgery Center currently performs General Surgery, Ophthalmology, Obstetrics/Gynecology, Otolaryngology, Pain Management, Urology, Plastic Surgery, and Podiatric Surgery and procedures. The Surgery Center is separately certified as an ASTC and is not operated as a Hospital Outpatient Department.
- The Surgery Center is a joint venture between Riverside Medical Center (72%) and certain physicians (28%) affiliated with Riverside Medical Group. During the second half of 2018 five orthopedic surgeons new to the Kankakee area joined Riverside Medical Group from outside of the area. Previously there were no orthopedic physicians employed by Riverside Medical Group. The new orthopedics physicians' offices are located adjacent to surgery center and the physicians would like to be able to perform procedures both at Riverside Medical Center and the surgery center.
- In June of 2004 the State Board approved the establishment of this ASTC with two operating rooms and eight recovery stations at a cost of approximately \$1.95 million.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The proposed project is before the State Board because it proposes to add a surgical specialty to an existing health care facility as defined at 20/ILCS 3960/3.
- Board decisions regarding the construction and modification of health care facilities must consider capacity, quality, value, and equity. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.

PURPOSE OF THE PROJECT:

- **According to the Applicants:** *“The purpose of the proposed project is to provide high quality, convenient and accessible care to the residents of Kankakee, Iroquois and Southern Will Counties. By adding orthopedic surgery to the complement of surgical services offered at the Riverside Ambulatory Surgery Center (RASC), patients will have the option to receive their orthopedic surgical care in a single location, adjacent to their surgeons' office and within a complex providing diagnostic imaging and physical therapy services.”*

PUBLIC HEARING/COMMENT:

- A public hearing was offered, no hearing was requested. No letters of opposition were received by the State Board Staff. Letters of support were received by the State Board Staff.
 1. State Representative Lindsey Parkhurst
 2. State Senator Toi H. Hutchinson
 3. John Bowling, President of Olivet Nazarene University
 4. Andy Wheeler, President Kankakee County Board
 5. Jeff Bennett, Managing Partner, McColley Bennett Commercial Advantage
 6. Timothy Nugent, Mayor of Manteno
 7. Timothy Nugent, President of Economic Alliance
 8. Paul Shore, President Village of Bourbonnais
 9. Naresh Chandan, D.O.
 10. John Avendano, President Kankakee Community College
 11. Barbara Brewer Watson, President and CEO Kankakee Chamber of Commerce
 12. Bruce W. Adams, President Village of Bradley

13. Chastity Wells Armstrong, Mayor of Kankakee
14. Stonewall McCuiston, MD
15. Sanjay Chatrath, D.O.
16. Nadeem Ansari, MD
17. Keith Moss, MD

SUMMARY:

- The Applicants propose to add one surgical specialty to an existing surgery center that is currently at the State Board's target occupancy of 1,500 hours per room. No additional capacity (operating/procedure rooms) is being added. There are currently two additional ASTCs in the 17-mile GSA operating at target occupancy. Center for Digestive Health provides gastro procedures only. OAK Institute provides orthopedic procedures and is at target occupancy. Additionally, while not all facilities are at target occupancy in the GSA, the addition of a surgical specialty to an existing ASTC will not result in an unnecessary duplication of service as no new capacity (surgery/procedure room) is being added to the 17-mile GSA. Provena Saint Mary's Hospital and Riverside Medical Center are not at target occupancy. The existing ASTC is a cooperative venture with Riverside Medical Center. The cost of the project is being funded entirely by cash and
- The Applicants addressed 22 criteria and have not met the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
77 ILAC 1110.235 (c) (2) (b) – Geographical Service Area	<i>This criterion asks an applicant 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 17-mile GSA. While Riverside ASTC ("RASC") met this requirement, the five physicians proposing to refer cases to the Surgery Center were unable to identify the historical patient origin by zip code of residence, stating "while we do not have historical patient origin by zip code for our practice (Riverside Orthopedic Specialist) at this early stage of our formation, we expect that it will be consistent with the patient origin by zip code experienced for RASC overall."</i>
77 ILAC 1110.235 (c) (3) – Service Demand	<i>This criterion asks an applicant to document the proposed project (an addition of orthopedic surgical specialty) 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. Documentation of this demand is to be provided by physician referrals letters.</i> As mentioned above (77 ILAC 1110.235 (c) (2) (b)) the five physicians proposing to refer cases to Riverside Ambulatory Surgical Center is a newly established orthopedic practice (Riverside Orthopedic Specialists). The referral letters used to document this demand did not provide the name of the licensed IDPH facility or facilities where the historical cases were performed. Additionally, the zip code of the residence of the historical patient referrals was not provided and the projected referrals (275 cases by the second year after project completion) exceed the number of historical

	cases provided.
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STATE BOARD STAFF REPORT
Project #19-009
Riverside Ambulatory Surgery Center, LLC

APPLICATION/ CHRONOLOGY/SUMMARY	
Applicants(s)	Riverside Health System d/b/a Riverside Healthcare and Riverside Ambulatory Surgery Center, L.L.C.
Facility Name	Riverside Ambulatory Surgery Center, L.L.C.
Location	300 Riverside Drive, Bourbonnais, Illinois
Permit Holder	Riverside Health System d/b/a Riverside Healthcare and Riverside Ambulatory Surgery Center, L.L.C.
Operating Entity/Licensee	Riverside Ambulatory Surgery Center
Owner of Site	Riverside Medical Center, L.L.C.
Proposed Gross Square Feet	5,248 GSF
Application Received	March 5, 2019
Application Deemed Complete	March 7, 2019
Financial Commitment Date	December 31, 2019
Anticipated Completion Date	December 31, 2019
Review Period Ends	May 6, 2019
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

I. Project Description

The Applicants (Riverside Health System d/b/a Riverside Healthcare and Riverside Ambulatory Surgery Center, L.L.C.) propose to add orthopedic surgery specialty to its two room multi-specialty ASTC at a cost of \$185,000. The anticipated completion date is December 31, 2019.

II. Summary of Findings

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

III. General Information

The Applicants are Riverside Health System d/b/a Riverside Healthcare and Riverside Ambulatory Surgery Center, L.L.C. Riverside Health System is an Illinois not-for profit corporation and is the sole corporate member of Riverside Medical Center.

Riverside Medical Center is an Illinois not-for profit corporation. The Medical Center is a 318-bed acute care hospital (December 2017 data) in Kankakee, Illinois.

Riverside Ambulatory Surgery Center, L.L.C. is a Delaware limited liability company. The surgery center is a joint venture between Riverside Medical Center (72% ownership

interest) and several physician investors owning the remaining 28% ownership interest. Four (physician investors – Steven Williams, M.D., Saroja Yalamanchili, M.D., Jerome Swale, M.D. and Paul Rowland, M.D.) each own 5% and the remaining physicians each own less than 5%.

This is a non-substantive project requiring a Part 1110 and Part 1120 review. Financial commitment will occur after permit issuance.

The *Centers for Medicare and Medicaid* defines an *Ambulatory surgical center* as any distinct entity that operates exclusively for the purpose of providing surgical services to patients not requiring hospitalization and in which the expected duration of services would not exceed 24 hours following an admission.

IV. Health Service Area

The ASTC is in the HSA IX Health Service Area. This service area consists of the Illinois Counties of Grundy, Kankakee, Kendall, and Will with a population of approximately 1,034,000. There are ten ASTCs in this service area and six hospitals. Table One outlines Riverside Ambulatory Surgery Center's utilization and payor mix for calendar years 2017, 2016 and 2015.

TABLE ONE
Riverside Ambulatory Surgery Center
Historical Utilization (2017-2015)

	2017			2016			2015		
	Cases	Hours		Cases	Hours		Cases	Hours	
General	11	13.5		18	16.5		13	19	
OB/GYN	27	27.75		35	26.25		27	42	
Ophthalmology	1,520	1017.5		1431	858.5		1,209	847	
Otolaryngology	288	264		121	103		6	7	
Pain Management				1	0.75		4	3	
Plastic Surgery	264	433.75		296	399.75		333	567	
Podiatry	148	221.5		143	186		112	183	
Total	2,258	1,978		2045	1,590.75		1,704	1,667	

Number of Patients and Dollar Amount by Primary Payor Source

	2017			2016			2015		
	Patients	Dollars	% of Total	Patients	Dollars	% of Total	Patients	Dollars	% of Total
Medicare	1,175	\$1,944,859	52.04%	1,135	\$1,785,535	55.50%	1,065	\$1,571,829	62.50%
Medicaid	209	\$346,068	9.26%	120	\$188,848	5.87%	34	\$50,299	2.00%
Other	1	\$1,495	0.04%	0	\$0	0.00%	0	\$0	0.00%
Private Insurance	837	\$1,385,394	37.07%	779	\$1,225,424	38.09%	581	\$857,590	34.10%
Private Pay	36	\$59,422	1.59%	11	\$17,372	0.54%	24	\$35,209	1.40%
Charity	0	\$0	0.00%	0	\$0	0.00%	0	\$0	0.00%
Total	2,258	\$3,737,238	100.00%	2,045	\$3,217,179	100.00%	1,704	\$2,514,927	100.00%

1. Source Annual ASTC Profile Information

V. **Project Costs and Sources of Funds**

The Applicants are funding this project with cash in the amount of \$185,000.

TABLE TWO		
Project Costs and Sources of Funds		
Uses of Funds	Reviewable	Total
Consulting and Other Fees	\$40,000	\$40,000
Movable and Other Equipment (not in construction contracts)	\$145,000	\$145,000
Total Uses of Funds	\$185,000	\$185,000
Sources of Funds:		
Cash and Securities	\$185,000	\$185,000
Total Sources of Funds	\$185,000	\$185,000

V. Background of the Applicants, Purpose of the Project, Safety Net Impact, Alternatives

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

To address this criterion the applicants must provide a list of all facilities currently owned in the State of Illinois and an attestation documenting that no adverse actions¹ have been taken against any applicant's facility by either Medicare or Medicaid, or any State or Federal regulatory authority during the 3 years prior to the filing of the Application with the Illinois Health Facilities and Services Review Board or a certified listing of adverse action taken against any applicant's facility; and authorization to the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of the application for permit.

1. The Applicants have furnished authorization allowing the State Board and IDPH access to all information to verify information in the application for permit. [Application for Permit page 57]
2. Each of the Applicants attest that no adverse actions have been taken against any facility owned and/or operated by them during the three (3) years prior to the filing of this application.
3. Evidence of ownership of the site has been provided as required at pages 31-45 through a copy of the lease.
4. A Certificate of Good Standing has been provided for each Applicant as required. An Illinois Certificate of Good Standing is evidence that an Illinois business franchise (i.e. Illinois Corporation, LLC or LP) is in existence, is authorized to transact business in the state of Illinois and complies with all state of Illinois business requirements and therefore is in "Good Standing" in the State of Illinois [Application for Permit pages 26-28].
5. The Applicants provided evidence that they were in compliance with Executive Order #2006-05 that requires *all State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of this Order. State Agencies engaged in planning programs or programs for the promotion of development shall inform participants in their programs of the existence and location of Special Flood Hazard Areas and of any State or local floodplain requirements in effect in such areas. Such State Agencies shall ensure that proposed development within Special Flood Hazard Areas would meet the requirements of this Order.* [Application for Permit pages 50-51]
6. There is no construction involved with this project; therefore a letter from the Department of Natural Resources is not required. The Illinois State Agency Historic Resources Preservation Act requires *all State Agencies in consultation with the Director of Historic Preservation, institute procedures to ensure that State projects*

¹ "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)

consider the preservation and enhancement of both State owned and non-State-owned historic resources (20 ILCS 3420/1).

B) Criterion 1110.110(b) – Purpose of the Project

To demonstrate compliance with this criterion the Applicants 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 Applicants shall define the planning area or market area, or other area, per the applicant's definition. The Applicants shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project.

According to the Applicants “The purpose of the proposed project is to provide high quality, convenient and accessible care to the residents of Kankakee, Iroquois and Southern Will Counties. By adding orthopedic surgery to the complement of surgical services offered at the Riverside Ambulatory Surgery Center (RASC), patients will have the option to receive their orthopedic surgical care in a single location, adjacent to their surgeons' office and within a complex providing diagnostic imaging and physical therapy services. The area is now served by a new group of five orthopedic surgeons whose offices are located at the Riverside North Campus, which also houses the Surgery Center. These new orthopedic surgeons have requested access to the surgery center for performance of orthopedic surgery and procedures appropriate to that setting. The option to use an ASTC is supported by its lower cost structure, accessibility and convenience for the patient and surgeon.” [Application for Permit page 62]

TABLE TWO
Service Area
Riverside Ambulatory Surgery Center

Zip Code	City	County	% of Patients
60901	Kankakee	Kankakee	17.80%
60914	Bourbonnais	Kankakee	17.39%
609S0	Manteno	Kankakee	9.70%
60915	Bradley	Kankakee	7.70%
60900	Kankakee County		7.36%
60964	St. Anne	Kankakee	4.79%
60954	Momence	Kankakee	4.60%
60400	Will County		4.33%
60481	Wilmington	Wil	3.66%
60970	Watseka	Iroquois	2.62%
60468	Peotone	Will	2.45%
60940	Grant Park	Kankakee	2.45%
60922	Chebanese	Iroquois	1.93%
60416	Coal City	Grundy	1.90%
60941	Hersher	Kankakee	1.57%

TABLE TWO
Service Area
Riverside Ambulatory Surgery Center

Zip Code	City	County	% of Patients
60913	Bonfield	Kankakee	1.46%
60401	Beecher	Kankakee	1.32%
60927	Clifton	Iroquois	1.24%
60408	Braidwood	Will	1.24%
Other			4.42%

C) Criterion 1110.110 (c) Safety Net Impact

All health care facilities, with the exception of skilled and intermediate long-term care facilities licensed under the Nursing Home Care Act, shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]

This is a non-substantive project. A safety net impact statement is not required. Charity Care information has been provided as required. Medicaid and Charity Care information for the Surgery Center is provided in Table One of this report.

TABLE THREE
Riverside Medical Center
Charity Care

Riverside Medical Center	2015	2016	2017
Net Patient Revenue	\$278,902,721	\$295,481,925	\$312,770,233
Amount of Charity Care (charges)	\$3,312,574	\$2,734,253	\$3,535,312
Cost of Charity Care	\$3,312,574	\$2,734,253	\$3,535,312
Ratio of Charity Care Cost to Net Patient Rev.	1.19%	0.93%	1.13%

D) Criterion 1110.110 (d) - Alternatives to the Proposed Project

To demonstrate compliance with this criterion the Applicants 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 Applicants considered these alternatives to the proposed project.

1. Maintain Status Quo.

The Surgery Center considered continuing to operate under its current permit, performing predominantly ophthalmology procedures. However, utilization of the facility was expected to remain relatively stagnant, with little opportunity to increase efficiency and patient convenience, thereby limiting the opportunity to lower overall patient healthcare costs. For the foregoing reasons maintaining the status quo and doing nothing was rejected as an alternative.

2. Project of Greater or Lesser Scope and Cost.

The Surgery Center considered the alternative of constructing an additional operating room for orthopedic procedures. The current capacity of the surgery center would permit the addition of orthopedic surgery without any facility modification at this time. While the continued growth of the practices of referring orthopedic surgeons to the Surgery Center may necessitate such an expansion in the future, the Surgery Center concluded that it would be prudent to seek expanded facilities when the volume warranted the same. Construction of an additional 2,500 square foot addition for a new OR could cost over \$400/square foot for a total construction cost of over \$1,000,000. Thus, significant capital investment in Surgery Center to expand the facility at this time was not considered advisable.

3. Joint Venture with Other Providers.

The Surgery Center is presently a joint venture with Riverside Medical Center and several of their affiliated physicians. RASC will continue to be a joint venture and it is likely that the new physicians will acquire a partial ownership interest.

4. Utilize Other Available Health Resources.

The service area for the Surgery Center includes two general acute care hospitals both with sufficient OR capacity to accommodate anticipated orthopedic procedures. However, it is well recognized that many orthopedic procedures can be performed in an ambulatory surgical treatment center at a lower cost than in a hospital setting. An additional benefit of procedures performed in an ambulatory surgical treatment center is the lower surgical site infection rates as compared with hospitals as reported by the CDC. Ease in scheduling and decreased wait times in ambulatory surgery treatment centers further support use of the such facilities over the area's hospital ORs.

There are currently two ambulatory surgery treatment centers operating in the Surgery Center service area. One, (Center for Digestive Health-Bourbonnais), is a dedicated general surgery facility with majority ownership by an independent GI group. As such, this facility would not be a viable option for orthopedic surgery. The second facility, Oak Surgical Institute ("OSI"), is an established orthopedic surgery center with 55% ownership held by physician members of Orthopedic Associates of Kankakee (OAK) and the remaining 45% ownership held by Oakside Corporation, a Riverside Healthcare subsidiary. The OAK physicians are presently seeking to establish a new wholly physician-owned ambulatory surgery treatment center in Bourbonnais, Illinois with the intent of moving all of their business from OSI to the new facility if the CON is approved. OAK's proposed multi-million-dollar facility is more costly and leaves in jeopardy the future operation of OSI and its ability to serve as an alternative to the proposed project.

VI. Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.120 (a) - Size of Project

To demonstrate compliance with this criterion the Applicants must document that the physical space proposed for the project is necessary and appropriate. The proposed square footage cannot deviate from the square footage range indicated in Appendix B, or exceed the square footage standard in Appendix B if the standard is a single number, unless square footage can be justified by documenting, as described in subsection (a)(2).

The facility is currently 5,248 GSF for two operating rooms or 2,624 GSF per room. The State Board Standard for operating rooms is 2,750 GSF per room. No new construction is being proposed for this project. The Applicants have successfully addressed this criterion.

B) Criterion 1110.120(b) - Project Services Utilization

To demonstrate compliance with this criterion the Applicants must document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of years projected shall not exceed the number of historical years documented. All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit, except where noted in 77 Ill. Adm. Code 1100. [Part 1110 Appendix B]

As documented at Table Four below the Applicants are projecting an additional 275 procedures and 1,095 hours of surgery (275 procedures x 3.85 hours = 1,059 hours) by the second year after project completion. The facility is currently at target occupancy of 1,500 hours per operating room.

Should these physician referrals and the subsequent number of hours materialize the Applicants will be at the target occupancy of 1,500 hours per room by 2021 the second year after project completion.

TABLE FOUR
Historical and Projected Hours

Year	Ortho Cases	Hours ⁽³⁾	Total Hours	OR's Justified ^{(1) (2)}
2015			1,588	Yes
2016			1,591	Yes
2017			1,978	Yes
2018			1,897	Yes
2019	100	385	2,335	Yes
2020	250	963	2,913	Yes
2021	275	1,059	3,009	Yes

1. Total Hours ÷ 1,500 hours per Operating Room = # of operating rooms justified. Should a surgery center perform 1,501 hours annually the State Board by rule would consider the 1,501 hours justifies two operating/procedure rooms.
2. All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit, except where noted in 77 Ill. Adm. Code 1100. HFSRB shall periodically evaluate the guidelines to determine if revisions should be made. Any revisions will

TABLE FOUR
Historical and Projected Hours

Year	Ortho Cases	Hours ⁽³⁾	Total Hours	OR's Justified (1) (2)
be promulgated in accordance with the provisions of the Illinois Administrative Procedure Act. (Part 1110 Appendix B)				
3.	The Applicants are estimating 3.85 hours per procedure based on the 2017 historical hours for orthopedic surgery in the State of Illinois [see 2017 ASTC State of Illinois Summary].			

C) Criterion 1110.120 (e) - Assurances

To document compliance with this criterion the Applicants 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 Applicants will meet or exceed the utilization standards specified in Appendix B.

The Applicant provided the necessary assurance as required at page 107 of the Application for Permit.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT, PROJECTED UTILIZATION, ASSURANCES (77 ILAC 1110.120 (a) (b) (e))

VII. Non-Hospital Based Ambulatory Surgical Treatment Center Services

A) Criterion 1110.235 (c)(2) - Geographic Service Area Need

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

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.

This criterion is not applicable.

B) Service to Geographic Service Area Residents

The applicant shall 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 shall 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 shall 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 (GSA) for a facility located in Bourbonnais is a 17-mile radius (77 ILAC 1100.510 (d)). As identified in Table Two above at least 50% of the historical admissions to the ASTC reside within this 17-mile radius. However, zip code information was not provided for the patients who were provided care by the five physicians that propose to perform orthopedic procedures at the Surgery Center. The physician group stated, “while we do not have historical patient origin by zip code for our practices at this early stage of our formation, we expect that it will be consistent with the patient origin by zip code experienced for RASC overall.” The Applicants have not met this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IS IN CONFORMANCE WITH CRITERION GEOGRAPHICAL SERVICE AREA (77 1110.235 (c)(2))

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

The applicant shall 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 Applicants propose to add orthopedic surgical specialty at the ASTC. The Applicants provided the following statement “Riverside Orthopedic Specialists is a newly formed orthopedic group consisting of five physicians. We established practice in the RASC service area in mid to late 2018 and are all new surgeons to this market. It is our desire to offer our patients the option of having their procedures performed in an ambulatory surgery center for

its quality, convenience and lower cost. We estimate that our group will refer 275 cases annually to RASC by the end of the second full year of operation if this CON request is approved. While we do not have historical patient origin by zip code for our practices at this early stage of our formation, we expect that it will be consistent with the patient origin by zip code experienced for RASC overall.”

TABLE FIVE
Historical Referrals provided by Applicants

Physician	Dates	# of Patients
Dr. Conan	6/1/2018-02/2019	48
Dr. Crawford	10/1/2018-02/2019	104
Dr. Toftoy	10/1/2018-02/2019	2
Dr. Shin	10/1/2018-02/2019	16
Dr. Miller	12/1/2018-02/2019	8
Total		178

Source: Pages 106-107 of the Application for Permit

As mentioned the five physicians proposing to refer cases to Riverside Ambulatory Surgical Center is a newly established orthopedic practice. The Applicants did not provide the name of the licensed IDPH facility or facilities or where the historical cases were performed. Additionally, the zip code of the residence of the historical patient referrals was not provided and the projected referrals (275 cases by the second year after project completion) exceed the number of historical cases provided. The Applicants have not met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION SERVICE DEMAND (77 1110.235 (c)(3))

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

A) The applicant shall document that the proposed number of surgical/treatment rooms for each ASTC service is necessary to service the projected patient volume. The number of rooms shall be justified based upon an annual minimum utilization of 1,500 hours of use per room, as established in 77 Ill. Adm. Code 1100.

B) For each ASTC service, the applicant shall 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 Applicants are not adding operating/procedure rooms as part of this project. The current two room ASTC is at target occupancy as identified in Table Four above.

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

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

The proposed ASTC services being established or added are necessary to improve access for residents of the GSA. The applicant shall document that at least one of the following conditions exists in the GSA:

- 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.**

- A) There are three ASTCs (Riverside Ambulatory Surgery Center, Oak Surgical Institute and Center for Digestive Health) and two hospitals (Riverside Medical Center and Presence St. Mary's Hospital) in the 17-mile GSA.
- B) Oak Surgical Institute one of the three ASTCs in the 17-mile GSA provide orthopedic procedures being proposed by this project. The two hospitals (Riverside Medical Center and Presence St. Mary's Hospital) provide orthopedic surgery. Riverside Ambulatory Surgery Center does not provide orthopedic services currently.
- C) The services being proposed by this project are available in the 17-mile GSA.
- D) The proposed project adds orthopedic surgical specialty to a Surgery Center that is a cooperative venture with a hospital.

As mentioned above Riverside Ambulatory Surgical Center is a cooperative venture between Riverside Medical Center (72% ownership) and physicians. As required by this criterion one of the four conditions have been met. The Applicants have successfully addressed this criterion.

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

E) Criterion 1110.235 (c) (7) - Unnecessary Duplication/Maldistribution

- A) The applicant shall 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 shall document that the project will not result in maldistribution of services. Maldistribution exists when the GSA has an excess supply of facilities and ASTC services 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 shall 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 population within the 17-mile GSA is 155,967. The number of operating/procedure rooms is 31 rooms. The ratio of operating/procedure rooms per thousand population in this 17-mile GSA is 0.1987 per thousand. The ratio of operating/procedure rooms per 1,000 population in the State of Illinois is 0.214 [2,778 operating/procedure rooms ÷ (12,978,800/1,000 or 12,978.8)]. To have a surplus of operating/procedure rooms within the 17-mile GSA the ratio of rooms to population within the GSA must be 1.5 times the State of Illinois ratio or .32 operating/procedure rooms per thousand population. There is not a surplus of operating/procedure rooms within this GSA based upon this ratio.

There are three ASTCs and two hospitals within the 17-mile GSA. All the ASTCs are at target occupancy. The two hospitals are not. While the hospitals are not at target utilization the proposed project is not adding capacity (additional operating/procedure rooms) to the GSA; but adding one surgical procedure to an ASTC that is operating at the Board's target occupancy. Capacity in this GSA is not increasing as part of this project. The Applicants are proposing the efficient use of existing resources to add this surgical specialty [See Table below].

While not all facilities are at target occupancy the addition of a surgical specialty to an existing ASTC will not result in an unnecessary duplication of service as no new capacity is being added to the 17-mile GSA. The Applicants have met the requirements of this criterion.

TABLE SIX
Facilities within the Proposed GSA

Name	City	Miles	Operating Rooms	Procedure Rooms	Total Hours	Number of Rooms Justified	Met Standard
<u>ASTC</u>							
Riverside Ambulatory Surgery Center	Bourbonnais	0	2		1,978	2	Yes
The Center for Digestive Health	Bourbonnais	1		2	4,713	4	Yes
Oak Surgical Institute	Bradley	2.9	2		4,785	4	Yes
<u>Hospitals</u>							
Riverside Medical Center	Kankakee	4.8	13	3	20,424	14	No
Presence Saint Mary's Hospital	Kankakee	5.5	9		6,424	5	No

1. Rooms and Hours from 2017 Hospital and ASTC profiles.
2. Miles from MapQuest

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALISTRIBUTION (77 1110.235 (c)(7))

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

A) Staffing Availability

The applicant shall 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.

The Surgery Center anticipates that it will be able to perform the additional specialty procedures with current staff, but that existing staff may work additional hours per week. The cost of additional hours worked is reflected in the projected operation costs. J.T. Davis, MD is the medical director.

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

G) 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 shall 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).

A list of the proposed procedures to be performed at the Applicant's facility is attached along with the charges for such procedures (pages 76-105 of the Application for Permit). A letter (page 108 of the Application for Permit) attesting 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).

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

H) Criterion 1110.235 (10) Assurances

A) The applicant shall attest that a peer review program exists or will be implemented that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for the ASTC services, and if outcomes do not meet or exceed those standards, that a quality improvement plan will be initiated.

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.

The Applicants provided the necessary information at pages 109-110 of the Application for Permit.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION ASSURANCES (77 1110.235 (c) (10))

VIII. Financial Viability and Economic Feasibility

- A) Criterion 1120.120 – Availability of Funds
- B) Criterion 1120.130 – Financial Viability
- A) Criterion 1120.140 (a) -Reasonableness of Financing Arrangements
- B) Criterion 1120.140 (b) – Terms of the Debt Financing

The proposed project is being funded with cash in the amount of \$185,000. No debt is being used to fund this project. The Applicants have the cash to fund this project as evidenced by Riverside Health System A2 Bond Rating from Moody's Investors Services (page 111-113 of the Application for Permit) and A+ Bond Rating from S&P Global Ratings (pages 114-120 of the Application for Permit). The Applicants also provided the audited financial statements for Riverside Ambulatory Surgical Center, LLC for the 2017,2016, and 2015 (pages 122-158 of the Application for Permit). The Applicants have enough cash to fund this project.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA AVAILABILITY OF FUNDS, FINANCIAL VIABILITY, REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 ILAC 1120.120, 77 ILAC 1120.130, 77 ILAC 1120.140 (a) (b))

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

The applicant shall document that the estimated project costs are reasonable.

Movable or Other Equipment Costs are \$145,000 or 72,500 per operating room. The State Board Standard is \$504,437.05 per room.

TABLE SEVEN
Movable or Other Equipment Costs

2008	2009	2010	2011	2012	2013	2014
\$353,802.00	\$364,416.06	\$375,348.54	\$386,609.00	\$398,207.27	\$410,153.49	\$422,458.09
2015	2016	2017	2018	2019	2020	2021
\$435,131.83	\$448,185.79	\$461,631.36	\$475,480.30	\$489,744.71	\$504,437.05	\$519,570.16

1. Base year CY 2008 and inflated by 3% per year. [Part 1120 Appendix A]

Consulting Costs are \$40,000. The State Board does not have a standard for these costs.

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

D) Criterion 1120.140 (d) – Direct Operating Costs

The applicant shall provide 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 Applicants have provided the incremental direct costs per procedure at the ASTC should this project be approved. An incremental cost is the increase in total costs resulting from an increase in the number of procedures expected to be performed at Riverside Ambulatory Surgery Center, LLC.

Compensation	\$135,435
Supplies	<u>\$275,688</u>
Total Operating Costs	\$411,123
Workload Units	275
<u>Annual Operating Cost Per Procedure</u>	<u>\$1,495</u>

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

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

The applicant shall provide 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 annual project depreciation cost is \$14,500 annually. The Capital Costs per procedure would be \$52.73 per procedure ($\$14,500 \div 275 \text{ procedures} = \52.73).

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

Reference Numbers Facility Id 7003049
Health Service Area 009 Planning Service Area 091
Riverside Ambulatory Surgery Center
300 Riverside Drive, Suite 1100
Bourbonnais, IL 60914

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

Administrator **Date Complete**
Carrie Stauffenberg 3/1/2018

Contact Person **Telephone**
Robin Diepeveen 815-802-3170

Registered Agent
Kyle Benoit

Property Owner
Riverside Medical Cente

Legal Owner(s)

Dr. Elizabeth Hofmeister
Dr. Jerome Swale
Dr. Paul Rowland
Dr. Rebecca Hodulik
Dr. Renuka Ramakrishna
Dr. Robert Martin
Dr. Saroja Yalamanchili
Dr. Steven Williams
Dr. Valerie Goldfain

Type of Ownership
Limited Liability Company (RA required)

HOSPITAL TRANSFER RELATIONSHIPS

HOSPITAL NAME	NUMBER OF PATIENTS
Riverside Medical Center	2

STAFFING PATTERNS

PERSONNEL	FULL-TIME EQUIVALENTS
Administrator	1.00
Physicians	
Nurse Anesthetists	
Director of Nurses	
Registered Nurses	4.00
Certified Aides	
Other Health Profs.	3.00
Other Non-Health Profs	2.00
TOTAL	

DAYS AND HOURS OF OPERATION

Monday	9
Tuesday	9
Wednesday	9
Thursday	9
Friday	9
Saturday	
Sunday	

NUMBER OF PATIENTS BY AGE GROUP

AGE	MALE	FEMALE	TOTAL
0-14 years	114	102	216
15-44 years	48	97	145
45-64 years	169	275	444
65-74 years	293	461	754
75+ years	309	390	699
TOTAL	933	1,325	2,258

NUMBER OF PATIENTS BY PRIMARY PAYMENT SOURCE

PAYMENT SOURCE	MALE	FEMALE	TOTAL
Medicaid	91	118	209
Medicare	491	684	1,175
Other Public	1	0	1
Insurance	332	505	837
Private Pay	18	18	36
Charity Care	0	0	0
TOTAL	933	1,325	2,258

NET REVENUE BY PAYOR SOURCE FOR FISCAL YEAR

Medicare	Medicaid	Other Public	Private Insurance	Private Pay	TOTALS	Charity Care Expense	Charity Care Expense as % of Total Net Revenue
52.0%	9.3%	0.0%	37.1%	1.6%	100.0%		
1,944,859	346,068	1,495	1,385,394	59,422	3,737,238	0	0%

OPERATING ROOM UTILIZATION FOR THE REPORTING YEAR

SURGERY AREA	TOTAL SURGERIES	SURGERY TIME (HOURS)	SURGERY PREP AND CLEAN-UP TIME (HOURS)	TOTAL SURGERY TIME (HOURS)	AVERAGE CASE TIME (HOURS)
Cardiovascular	0	0.00	0.00	0.00	0.00
Dermatology	0	0.00	0.00	0.00	0.00
Gastroenterology	0	0.00	0.00	0.00	0.00
General	11	8.50	5.00	13.50	1.23
Laser Eye Surgery	0	0.00	0.00	0.00	0.00
Neurology	0	0.00	0.00	0.00	0.00
OB/Gynecology	27	15.50	12.25	27.75	1.03
Ophthalmology	1520	479.50	538.00	1017.50	0.67
Oral/Maxillofacial	0	0.00	0.00	0.00	0.00
Orthopedic	0	0.00	0.00	0.00	0.00
Otolaryngology	288	130.50	133.50	264.00	0.92
Pain Management	0	0.00	0.00	0.00	0.00
Plastic Surgery	264	309.00	124.75	433.75	1.64
Podiatry	148	154.50	67.00	221.50	1.50
Thoracic	0	0.00	0.00	0.00	0.00
Urology	0	0.00	0.00	0.00	0.00
TOTAL	2258	1,097.50	880.50	1978.00	0.88

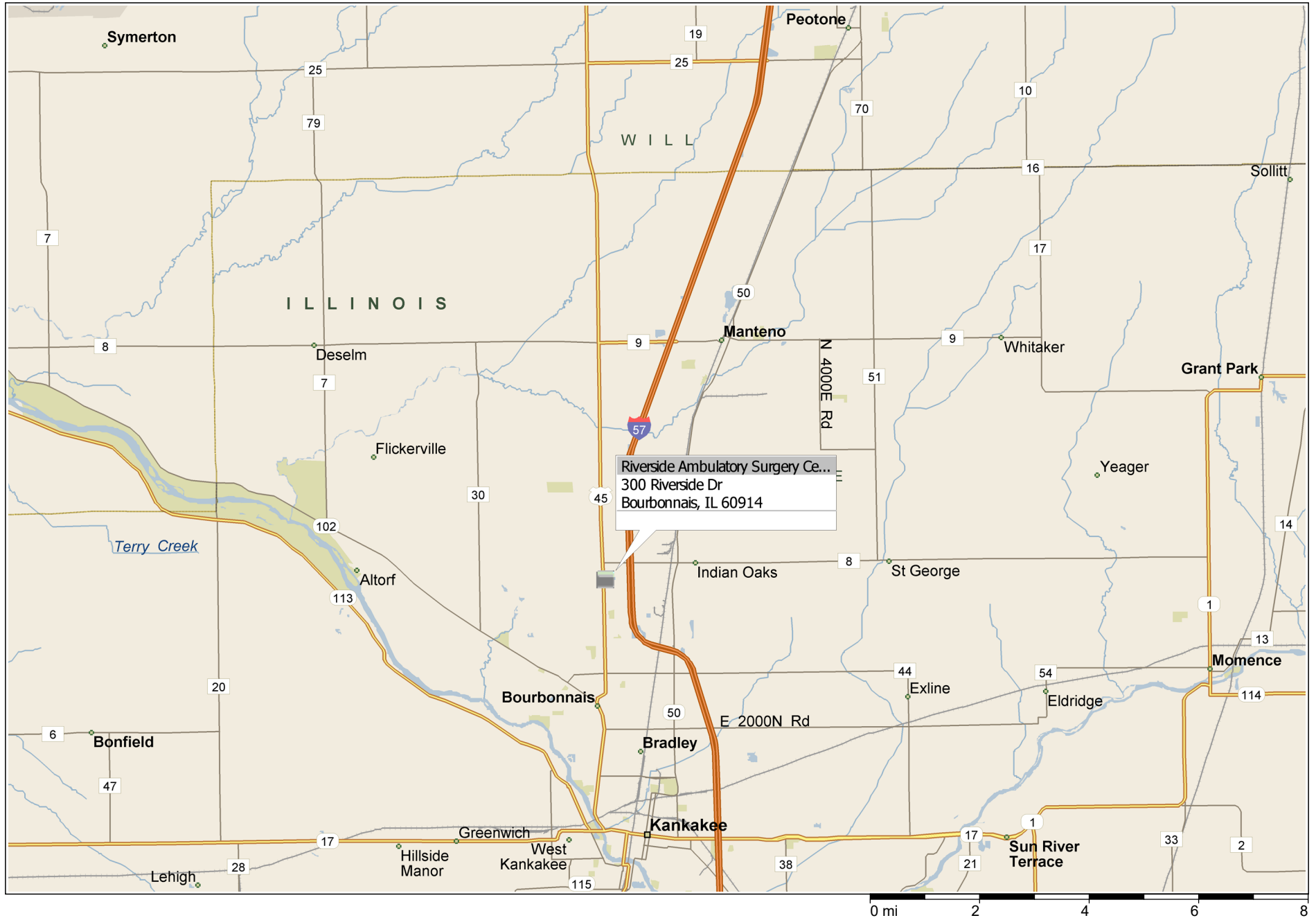
PROCEDURE ROOM UTILIZATION FOR THE REPORTING YEAR

SURGERY AREA	PROCEDURE ROOMS	TOTAL SURGERIES	SURGERY TIME (HOURS)	PREP AND CLEAN-UP TIME (HOURS)	TOTAL SURGERY TIME (HOURS)	AVERAGE CASE TIME (HOURS)
Cardiac Catheterizat	0	0	0	0	0	0.00
Gastro-Intestinal	0	0	0	0	0	0.00
Laser Eye	0	0	0	0	0	0.00
Pain Management	0	0	0	0	0	0.00
TOTALS	0	0	0	0	0	0.00

Leading Locations of Patient Residence

Zip Code	City	County	Patients
60901	Kankakee	KANKAKEE	407
60914	Bourbonnais	KANKAKEE	405
60950	Manteno	KANKAKEE	215
60915	Bradley	KANKAKEE	167
60964	Saint Anne	KANKAKEE	106
60954	Momence	KANKAKEE	93
60481	Wilmington	WILL	78
60970	Watseka	IROQUOIS	58
60416	Coal City	GRUNDY	58
60940	Grant Park	KANKAKEE	56
60468	Peotone	WILL	46
60922	Chebanse	IROQUOIS	46
60913	Bonfield	KANKAKEE	43
60401	Beecher	WILL	41
60408	Braidwood	WILL	34
60941	Herscher	KANKAKEE	33
60927	Clifton	IROQUOIS	28
60958	Pembroke	KANKAKEE	23
60935	Essex	KANKAKEE	22
60911	Ashkum	IROQUOIS	16
60951	Martinton	IROQUOIS	16
60938	Gilman	IROQUOIS	16
60928	Crescent City	IROQUOIS	13
60910	Aroma Park	KANKAKEE	13

19-009 Riverside Ambulatory Surgery Center - Bourbonnais



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