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: I-03	BOARD MEETING: September 22, 2020	PROJECT NO: 20-012	PROJECT COST:
FACILITY NAME: Lincoln Park Gastroenterology Center		CITY: Chicago	Original: $7,994,907
TYPE OF PROJECT: Substantive			HSA: VI

DESCRIPTION: The Applicants (PCAC GI JV LLC, Presence Chicago Hospitals Network, and Ascension Health) are proposing the establishment of a single specialty ASTC at 331 West Surf Street, Chicago, Illinois on the campus of AMITA Health St. Joseph Hospital - Chicago. The cost of the project is $7,994,907 and the expected completion date is October 31, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (PCAC GI JV LLC, Presence Chicago Hospitals Network, and Ascension Health) are proposing to establish a single specialty ASTC at 331 West Surf Street, Chicago, Illinois on the campus of AMITA Health St. Joseph Hospital - Chicago. The new ASTC will contain four procedure rooms, fifteen pre/stage one recovery stations, and offer gastroenterology services exclusively. The cost of the project is $7,994,907 and the expected completion date is October 31, 2021.
- The 12,846 GSF facility will be in modernized space (9,437 GSF clinical). The proposed ASTC will be located adjacent to AMITA Health St. Joseph Hospital - Chicago.
- This project received an Intent to Deny at the June 30, 2020 State Board Meeting. A technical assistance meeting was conducted on July 23, 2020 with the Applicants and State Board Staff. Additional information was submitted to clarify and address the concerns of the State Board and that information can be found at the end of this report along with the transcript from the June 2020 State Board Meeting.
- This report will deal with the **two negative findings from the Original State Board Staff Report** ("OSBSR")-Planning Area Need and Unnecessary Duplication of Service/Maldistribution. The OSBSR has been included in the packet of information forwarded to the Board.

SUPPLMENTAL REPORT

- In the additional information the Applicants identified key benefits of the proposed project:
  - Access to low-cost endoscopy procedures, as performed in an ASTC.
  - No operating or procedure rooms being added to the planning area.
  - Commitment to not add any operating or procedure rooms at the Hospital until ASTC reaches target occupancy.
  - Proposed ASTC operated as a joint venture between the Hospital and physicians.
  - ASTC's charge structure is approximately 67% lower than that the Hospital's existing outpatient department.
  - The project cost is minimal; with approximately $6.3 million in an operating lease and $1.7 million in cash.
  - No opposition to the proposed project.
- As part of the additional information submitted in response to the Intent to Deny a table of the anticipated seven largest volume procedures to be performed at the ASTC was provided. A comparison of the ASTC charges to Hospital outpatient charges is provided below.

CPT	Description	Hospital	ASTC	Difference	% Difference
45378	Diagnostic Colonoscopy	$2,680	$1,000	$1,680	63%
44394	Colonoscopy w Snare	$3,823	$1,200	$2,623	69%
44389	Colonoscopy w Biopsy	$3,823	$1,300	$2,523	66%
44392	Colonoscopy w Polypectomy	$3,823	$1,200	$2,623	69%
45380	Colonoscopy w Biopsy	$3,823	$1,300	$2,523	66%
43239	EGD Biopsy Single/Multiple	$3,823	$1,000	$2,823	74%
43235	EGO Diagnostic Brush Wash	$2,680	$1,000	$1,680	63%

- The **first negative finding in the OSBSR dealt with service accessibility.** Board Staff's initial conclusion at the June 2020 Meeting was that the one of four conditions required to be met did not exist in the GSA. After reviewing the transcript from that meeting Board Staff concluded that this project should have been viewed as a cooperative venture (i.e. joint venture) in which one of the

parties is a hospital and the remaining party physicians. The Presence Chicago Hospitals Network will own 51% and has agreed to not increase its surgical capacity at the Hospital and the ASTC until such time as the ASTC procedure rooms are at the target occupancy of 80% (1,500 hours per OR and procedure room per year).

- The **second negative finding in the OSBSR dealt with the unnecessary duplication and maldistribution of service.** Board Staff at the June 2020 had initially understood the Applicants were adding four procedures rooms as additional surgical capacity in the planning area. The proposed project will convert the four procedure rooms currently licensed under the hospital license and operated as a Hospital Out-Patient Department (HOPD) to an ASTC facility providing gastroenterology outpatient surgical services. As a result, no new capacity (i.e. operating and procedure rooms) are being established in this GSA.
- There are 19 ASTCs and 19 Hospitals in this GSA with surgical capacity to accommodate the proposed workload. Three of the 19 ASTCs provide gastroenterology services in this GSA. For the remaining 16 ASTCs an Application for Permit to add the gastroenterology surgical specialty would be required. As can be seen by the Table below two of the three ASTCs in 2018 were at target occupancy of 1,500 hours per operating/procedure room. The third facility (Six Corners Same Day Surgery) was not operational for much of 2018 because of concerns with the safety of the building housing the ASTC.
- The OSBSR identified a fourth ASTC that provided gastroenterology procedures in the GSA-Rogers Park Same Day Surgery. State Board Staff has since concluded the Rogers Park Same Day Surgery Center has not provided gastroenterology procedures since 2015.

Facility	City	Miles	OR's	Procedure	Hours	Met Standard?
Chicago Endoscopy Ctr. Chicago	Chicago	4.6	0	1	359	Yes
Six Corners Same Day Surgery	Chicago	7.3	4	1	19	No
South Loop Endoscopy & Wellness Ctr.	Chicago	7.7	0	2	1,986	Yes

- There are 19 hospitals within the GSA. No opposition comments have been submitted by any of the hospitals within the GSA opposing AMITA Health St. Joseph Hospital-Chicago from converting their Hospital Based Outpatient Department to an ASTC providing gastroenterology services. Additionally, of the 10,887 expected physician referrals to the ASTC 41% will be coming from AMITA Health St. Joseph Hospital -Chicago, 22% from AMITA Health St. Francis Hospital – Evanston, and 16% from AMITA Health St. Mary of Nazareth Hospital – Chicago or approximately 80% of the referrals will be coming from Hospitals owned AMITA Health.

PUBLIC HEARING/COMMENT:

- No public hearing was requested. Letters of support were received by the State Board and are included in your packet of material. No opposition letters were received.

SUMMARY

- The Applicants addressed a total of 23-criteria and have met them all.

STATE BOARD STAFF REPORT
Project 20-012
Lincoln Park Gastroenterology Center

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	PCAC GI JV LLC, Presence Chicago Hospitals Network Ascension Health
Facility Name	Lincoln Park Gastroenterology Center
Location	331 West Surf Street, Suite 506, Chicago, Illinois
Permit Holder	PCAC GI JV, LLC
Operating Entity	PCAC GI JV, LLC
Owner of Site	Hammes Company
Total GSF	12,846 GSF
Application Received	February 11, 2020
Application Deemed Complete	February 18, 2020
Review Period Ends	June 17, 2020
Financial Commitment Date	May 19, 2021
Project Completion Date	October 31, 2021
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes
Expedited Review?	Yes

I. Project Description

The Applicants (PCAC GI JV LLC, Presence Chicago Hospitals Network, and Ascension Health) propose to establish a single-specialty ASTC located at 331 West Surf Street, Suite 506, Chicago, Illinois on the campus of AMITA Health St. Joseph Hospital - Chicago. The cost of the project is $7,994,907 and the expected completion date is October 31, 2021.

II. Summary of Findings

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

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

III. General Information

The Applicants are PCAC GI JV LLC, Presence Chicago Hospitals Network, and Ascension Health. Lincoln Park Gastroenterology Center will be licensed and operated by PCAC GI JV, LLC. The licensee is under the ownership/control of Presence Chicago Hospitals Network, which owns and operates AMITA Health St. Joseph Hospital-Chicago. Ascension Health retains ownership/control of Presence Chicago Hospitals Network. Presence Chicago Hospitals Network will maintain majority interest in the ASTC and will offer up to 49% interest in the joint venture.

IV. Project Costs and Sources of Funds

The Applicants are funding the project with Cash/Securities totaling $1,721,829 and the Fair Market Value of the Lease in the amount of $6,273,078.

TABLE ONE
Project Costs and Sources of Funds

	Reviewable	Non-Reviewable	Total	% of Total
Pre-Planning Costs	$11,500	$4,000	$15,500	.2%
Site Preparation	$17,000	$6,000	$23,000	.3%
Modernization Contracts	$613,405	$204,540	$817,945	10.2%
Contingencies	$37,748	$13,636	$51,384	.6%
Architectural/Engineering Fees	$74,000	$25,000	$99,000	1.2%
Consulting & Other Fees	$308,000	$77,000	$385,000	4.8%
Movable or other Equipment (not in construction contracts	$247,500	$82,500	$330,000	4.1%
Fair Market Value of Leased Space and Equipment	$4,835,389	$1,437,689	$6,273,078	78.6%
Total Uses of Funds	$6,144,542	$1,850,365	$7,994,907	100.00%
Cash/Securities	$1,309,153	$412,676	$1,721,829	21.5%
Leases (fair market value)	$4,835,389	$1,437,689	$6,273,078	78.5%
Total Sources of Funds	$6,144,542	$1,850,365	$7,994,907	100.00%

1. The FMV of the leased space is $5,620,175, and the FMV of leased equipment is $652,903

V. Non-Hospital Based Ambulatory Surgical Treatment Center Services

A) Criterion 1110.235 (b) (2) (A) (B) - Geographic Service Area Need

The Applicants 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.

There is no need formula for ASTCs or the number of surgical/treatment rooms in a GSA.

B) Service to Geographic Service Area Residents
The Applicants 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 Applicants 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 Applicants 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 Applicants note the proposed ASTC will provide gastroenterology services exclusively, serving the needs of the patient base in the GSA. The Applicants provided a list containing 87 zip codes and a population of 2,365,222 residents (application, p. 53-54), located within 10 miles of the proposed facility. Analysis of the nine referral letters provided show that 82.2% of the patients referred reside in one of the 87 zip codes that comprise the service area.

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

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

The Geographic Service Area for a heath care facility located in Cook County is a 10-mile radius containing 87 zip codes, and a population totaling 2,365,222 (77 ILAC 1130.510 (d)). The Applicants supplied referral information attesting that at least 50% the projected patients (8,085 patients 82.2%) are referrals to facilities within the 10-mile GSA. The Applicants have successfully addressed this criterion.

TABLE TWO
Physicians Historical Referrals for 2017/2018*

Hospital	City	Historic Referrals
AMITA Health Presence St. Francis Hospital O/P	Evanston	3,914
AMITA Health St. Joseph Hospital O/P	Chicago	5,807
AMITA Health Presence St. Mary Hospital O/P	Chicago	5,932
Mercy Hospital & Med. Ctr. O/P	Chicago	400
Summit Surgicare	Summit	350
South Loop Endoscopy	Chicago	5,050
Total		21,453

* Per Physician Referral Letters pgs. 57-92

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVICE TO GSA RESIDENTS AND SERVICE DEMAND (77 ILAC 1110.235 (c) (2) (A)(B) and (3))

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

A) The Applicants 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 Applicants 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 proposing four operating rooms and are estimating the performance of 9,836 procedures two years after project completion. The Applicants are estimating .68 hours per procedure (9,836 x .68 = 6,688.5 hours), which serves as justification for four procedure rooms.

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

D) Criterion 1110.235 (6) - Service Accessibility

The proposed ASTC services being established or added are necessary to improve access for residents of the GSA. The Applicants 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.

This criterion asks the Applicants to meet one of the four conditions listed above. The proposed project is a cooperative venture (i.e. joint venture) with the Presence Chicago Hospitals Network (licensee of AMITA Health St. Joseph Hospital-Chicago) owning 51% and physicians owning the remaining 49%. The hospital is providing outpatient services to the population of the GSA. No additional operating or procedure rooms are being added to the GSA and the 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 (1,500 hours per operating/procedure room) for a period of at least 12 consecutive months. The proposed charges for the procedures at the ASTC will be lower than those of

the hospital outpatient department as required. The Applicants have met the requirements of this criterion.

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

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

A) The Applicants shall document that the project will not result in an unnecessary duplication. The Applicants 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 Applicants 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 Applicants 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.

Maldistribution

There is a total of 437 operating/procedure rooms in the 10-mile GSA. There are approximately 2,365,222 residents (2018 population estimate) in the 10-mile GSA. The ratio of operating/procedure rooms per 1,000 population is .1847 within this GSA [437 operating/procedure rooms ÷ (2,365,222/1,000 or 2,365.2) = .1847].

The State of Illinois population is 12,802,000 (2017 IDPH projected) and there are 2,712 operating procedure rooms in the State (2018 data). The ratio of operating/procedure rooms per 1,000 population in the State of Illinois is .2118 To have a surplus of operating/procedure rooms within the 10-mile GSA the ratio of population to operating/procedure rooms must be 1.5 times the State of Illinois ratio or .2771 operating/procedure rooms per 1,000 population. There is a not a surplus of operating/ procedure rooms in the 10-mile GSA.

Hospitals and ASTCs within the Proposed GSA

There are 19 ASTCs and 19 Hospitals in this GSA with surgical capacity to accommodate the proposed workload. Three of the 19 ASTCs provide gastroenterology services in this GSA. For the remaining 16 ASTCs an Application for Permit to add the gastroenterology

surgical specialty would be required. Two of the three ASTCs in 2018 were at the target occupancy of 1,500 hours per operating/procedure room. The third facility (Six Corners Same Day Surgery) was not operational much of 2018 because of concerns with the safety of the facility and has not reported gastroenterology procedures to the State Board since at least 2015. 80% of the referrals to the proposed ASTC will be coming from the AMITA Health Hospitals in the GSA. No Hospitals in the planning area have expressed opposition to the proposed project. It does not appear that the proposed ASTC will result in a duplication or maldistribution of service in this planning area.

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

TABLE THREE

Facilities within the 10-mile GSA

ASTC							
Facility	City	Type	Miles	OR's	Procedure	Hours	Met Standard?
Gold Coast Surgicenter	Chicago	Multi	2.9	4	0	4,340	No
Surgery Ctr at 900 North Michigan	Chicago	Multi	2.9	5	2	9,101	Yes
Western Diversey Surgical Ctr	Chicago	Multi	2.9	2	0	942	No
River North Same Day Surgery	Chicago	Multi	3.4	4	0	3,366	No
River North Ctr. For Reproductive Health	Chicago	Limited	3.6	1	0	NA	N/A
Grand Avenue Surgical Center	Chicago	Multi	3.7	3	0	585	No
Fullerton & Kimball Med & Surgical Ctr.	Chicago	Multi	4.3	2	0	1,091	No
Chicago Endoscopy Ctr. Chicago	Chicago	Limited	4.6	0	1	359	Yes
Fullerton Surgical Ctr.	Chicago	Multi	6.1	3	0	1,053	No
Peterson Medical Surgicenter	Chicago	Multi	6.2	2	0	93	No
Novamed Surgery Ctr. Northshore	Chicago	Single	6.6	1	1	1,016	Yes
Rogers Park One Day Surgery Ctr.	Chicago	Limited	6.9	2	1	0	No
Lakeshore Surgery Center	Chicago	Multi	7	2	0	1,429	No
Six Corners Same Day Surgery	Chicago	Multi	7.3	4	1	19	No
South Loop Endoscopy & Wellness Ctr.	Chicago	Single	7.7	0	2	1,986	Yes
Rush Surgicenter	Chicago	Multi	7.9	4	0	9,029	Yes
Albany Medical Surgical Ctr.	Chicago	Limited	7.9	1	0	NA	N/A
North Shore Surgical Ctr.	Lincolnwood	Multi	8.9	3	0	3,182	Yes
Advanced Ambulatory Surgical Ctr.	Chicago	Multi	9.2	3	0	1,333	No

TABLE THREE

Facilities within the 10-mile GSA

Hospitals							
Facility	City		Miles	OR's	Procedure Rooms	Total Hours	Met Standards?
Presence St. Joseph Med. Ctr.	Chicago		0.2	12	7	14,309	No
Advocate Illinois Masonic Med Ctr.	Chicago		1	18	18	22,394	No
Thorek Memorial Hospital	Chicago		1.9	26	6	1,655	No
Weiss Memorial Hospital	Chicago		2.5	9	0	8,205	No
Lurie Children's Hospital ^	Chicago		3.1	21	0	38,270	Yes
Northwestern Memorial Hospital	Chicago		3.7	60	21	137,564	Yes
Methodist Hospital of Chicago	Chicago		4.1	3	5	1,634	No
Presence St. Elizabeth Hospital	Chicago		4.4	5	0	289	No
Presence St. Mary's Hospital, Chicago	Chicago		4.7	8	5	12,838	No
Norwegian American Hospital	Chicago		5.6	5	0	2,564	No
Swedish Covenant Hospital	Chicago		5.7	10	4	20,632	Yes
Presence St. Francis Hospital	Evanston		7.6	11	3	10,505	No
Rush University Med. Ctr	Chicago		7.8	33	10	78,641	No
Community First Med. Ctr.	Chicago		7.8	9	4	5,757	No
Mercy Hospital & Med. Ctr.	Chicago		8	11	5	13,092	No
Stroger Hospital Cook County	Chicago		8.1	20	11	44,249	No
University of Illinois Hospital	Chicago		8.3	21	6	53,169	Yes
Shriner's Children's Hospital ^	Chicago		8.8	4	0	3,657	No
Mount Sinai Med Ctr.	Chicago		9.5	10	5	13,832	No

^Service limited to Pediatric patients

Taken from 2018 ASTC Facility profiles

V. FINANCIAL VIABILITY

A) Criterion 1120.120 – Availability of Funds

Applicants shall document that financial resources will be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of enough financial resources

The Applicants are funding the project with the Fair Market Value of the Lease in the amount of $6,273,078, and cash/securities in the amount of $1,721,829. The Applicants provided proof of an Aa2 Bond Rating from Moody's Investors Service (application, p. 119), dated September 2019 for the parent; Ascension Health. The Applicants also provided consolidated financial statements (application p. 124), and the results are illustrated in Table Four below.

B) Criterion 1120.130 – Financial Viability

Applicants that are responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion unless the Applicants qualifies for the financial waiver.

a) Financial Viability Waiver

The Applicant is NOT required to submit financial viability ratios if:

1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or
HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.

2) the Applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA) or its equivalent; or
HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.

3) the Applicants provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

TABLE FOUR
Ascension Health
Years ended June 2018, 2019
(in thousands)

	2018	2019
Cash	$850,958	$896,262
Current Assets	$5,513,790	$6,033,220
Total Assets	$38,527,612	$39,718,496
Current Liabilities	$5,388,491	$5,824,281
LTD	$7,123,611	$6,760,464
Total Liabilities	$15,409,855	$16,194,212
Net Patient Revenue	$21,665,860	$23,706,590
Total Revenues	$23,158,956	$25,322,807
Income from Operations	$104,761	$382,508
Net Income	$2,270,225	$1,021,848

Source: Ascension Audited Financial Statements, application pgs. 124-184

The Applicants supplied valid proof of an Aa2 Bond Rating, and audited financial statements attesting to their financial viability. At the conclusion of this report are the projected income and balance sheet for **Lincoln Park Gastroenterology Center.** The Applicants have successfully addressed this criterion.

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

VI. ECONOMIC VIABILITY

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

An Applicant must document the reasonableness of financing arrangements.

B) Criterion 1120.140 (b) – Terms of the Debt Financing

Applicants with projects involving debt financing shall 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 are less costly than constructing a new facility or purchasing new equipment.

The Applicants are funding the proposed project with cash and securities totaling $1,721,829, and the Fair Market Value of a Lease totaling $6,273,078, indicating the internal nature of funding for this project. The State Board considers leasing as debt financing and the Applicants provided a letter of intent for the leasing of the space.

TABLE FIVE
Terms of Lease

Sub Landlord	Presence Chicago Hospitals Network, d/b/a Presence Saint Joseph Hospital-Chicago
Initial Term	10 Years
Rent	$46 GSF with 1% annual increase
Option	1 Five year at FMV rental rate

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

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

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

By statute, only clinical costs (reviewable costs) are considered in evaluating the reasonableness of project costs. (20 ILCS 3960/3)

Preplanning Costs – These costs total 11,500, which is 1.3% of the modernization, contingencies, and equipment costs, totaling $898,653. This is in compliance with the State standard of 1.8%.

Site Preparation Costs - are $17,000 or 2.6% of modernization and contingency costs ($651,153). This appears reasonable when compared to the State Board Standard of 5.0%.

Modernization and Contingency Costs are $651,153 or $69.00 per GSF ($651,153/9,437 GSF = $69.00). This appears reasonable when compared to the State Board Standard of $330.18, at the midpoint of construction (2020).

Contingency Costs/Modernization are $37,748 or 6.1% of modernization costs ($613,405). This appears reasonable when compared to the State Board Standard of 10%-15%.

Architectural and Engineering Costs/Modernization are $74,000 and are 11.4% of the modernization and contingency costs ($651,153). This appears reasonable when compared to the State Board Standard of the 8.36-12.56%.

Consulting and Other Fees are $308,000. The State Board does not have a standard for these costs.

Movable and Other Equipment Costs are $247,500. The State Board does not have a standard for these costs.

Fair Market Value of Leased Space is $4,215,131. The State Board does not have a standard for these costs.

Fair Market Value of Leased Equipment are $620,258. The State Board does not have a standard for these costs.

The Applicants have met the requirements of this criterion.

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

D) Criterion 1120.140 (d) – Projected Operating Costs

The Applicants 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 projected costs per procedure of $457.09, should this project be approved**.** The State Board does not have a standard for this cost. The Applicants have successfully addressed this criterion

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

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

The Applicants 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 Applicants have provided the total effect of the project on capital costs per procedure of $21.65 should this project be approved**.** The State Board does not have a standard for this cost. The Applicants have successfully addressed this criterion.

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

TABLE SIX
Lincoln Park Gastroenterology Center
Projected Income Statement

	Year 1	Year 2	Year 3
Income	$7,293,927	$9,904,643	$10,003,689
Procedure Volume	7,353	9,886	9,886
Total Income	$7,293,927	$9,904,643	$10,003,689
Expenses			
Salaries	$2,402,073	$2,937,136	$3,037,022
Repairs and Maintenance	$68,920	$95,441	$98,305
Management Fees	$424,507	$576,450	$582,215
Surgical Instruments/Supplies	$451,504	$622,702	$638,888
Billing & Collections	$364,696	$495,232	$500,184
Utilities	$307,034	$307,034	$307,034
Rent Expense	$537,188	$542,560	$547,985
Professional Fees	$50,000	$51,500	$53,045
Contracted Services	$28,428	$29,281	$30,159
Insurance	$30,000	$31,500	$33,075
Depreciation	$231,458	$231,458	$231,458
Employee Benefits	$540,466	$660,856	$683,330
General Admin	$25,000	$57,622	$74,585
Taxes and Licenses	$25,000	$27,500	$27,500
Interest Expense & Loan	$271,598	$303,357	$309,465
Bad Debt Expenses	$218,818	$297,139	$300,111
Other Expenses	$25,000	$30,000	$30,000
Total Expenses	$6,001,689	$7,296,768	$7,484,361
Net Income	$1,292,238	$2,607,875	$2,519,328

TABLE SEVEN
Lincoln Park Gastroenterology Center
Projected Balance Sheet

	Year 1	Year 2	Year 3
Current Assets			
Cash	$1,745,525	$2,084,859	$2,335,645
Other Current Assets	$399,600	$299,700	$199,800
Total Current Assets	$2,145,125	$2,384,559	$2,535,445
Fixed Assets			
Building	$5,975,316	$5,432,756	$4,884,771
Equipment	$843,800	$684,218	$524,576
Furnishing	$66,000	$52,800	$42,240
Total Fixed Assets	$6,885,176	$6,169,774	$5,451,587
Total Assets	$9,030,301	$8,554,333	$7,987,032
Liabilities			
Current Liabilities			
Account Payable	$845,917	$857,450	$869,298
Other Current Liabilities			
Total Current Liabilities	$845,917	$857,450	$869,298
Long term Liabilities			
Long term Debt	$6,635,688	$6,199,014	$5,762,340
Total Long-term Liabilities	$6,635,688	$6,199,014	$5,762,340
Total Liabilities	$7,481,605	$7,056,464	$6,631,638
Dividend Distributions	$1,500,000	$2,500,000	$250,000
Total Equity	$1,548,696	$1,497,868	$1,355,394

CHAIRWOMAN SAVAGE: Do we have any public participation for Lincoln Park Gastroenterology Center?

MR. MITCHELL: No, I don't believe we have any online testimony.

CHAIRWOMAN SAVAGE: Okay. Thank you. So next on our agenda is H-05, Project 20-012, Lincoln Park Gastroenterology Center, Chicago.

May I have a motion to approve Project 20-012 to establish a single specialty ambulatory surgical treatment center in Chicago.

MEMBER MURRAY: This is Dr. Murray. I so move.

MEMBER MARTELL: This is Dr. Martell. I second.

CHAIRWOMAN SAVAGE: Thank you. So please introduce yourselves and then be sworn in.

MR. BAIRD: Thank you. Would the Board mind if I remove my mask to be able to speak?

Okay. Great. My name is John Baird. I'm the president and CEO of AMITA St. Joseph's Hospital in Chicago.

CHAIRWOMAN SAVAGE: We're not having testimony right now. You're just introducing

yourselves and being sworn in.

MR. BAIRD: Okay. And I'll introduce my colleagues. To my left is Dr. Lawrence Gluskin. Dr. Gluskin has been a practicing gastroenterologist at AMITA St. Joseph's since 1983 and current chairman of the section of gastroenterology and the medical director of the proposed ASTC. And to my right is Jack Axel, our CON consultant. And also to my left is Darcy Lorenzen, vice president of Digestive Health, Bariatric and Women's Services - AMITA Health.

THE COURT REPORTER: Will you all raise your right hands.

(Four witnesses were duly sworn.)

CHAIRWOMAN SAVAGE: Thank you.

Mike, would you please present the State Board staff report.

MR. CONSTANTINO: Thank you, Madam Chair.

The applicants are proposing the establishment of a single specialty ASTC in Chicago, Illinois on the campus of Presence St. Joseph's Hospital in Chicago. The cost of the project is approximately $8 million, and the expected completion date is October 31st, 2021.

Thank you.

CHAIRWOMAN SAVAGE: Thank you.

Okay. If you'd like to proceed with your presentation.

MR. BAIRD: Great. Again, I want to thank the Board members for your time today as we present our application for the establishment of this ambulatory surgical treatment center limited to gastroenterology specific specialty procedures. The GI ASTC would be located in an existing ambulatory center on the campus of St. Joseph's Hospital, Chicago.

In 2013 this Board approved the construction of a developer-owned ambulatory care building connected to and immediately to the west of AMITA -- what's now known as AMITA Health St. Joseph's Hospital in Chicago. That building contains a hospital-leased procedure suite, and virtually all of the hospital's outpatient endoscopy procedures transition from the hospital's surgical suite to that ambulatory procedure site, and that's still the case with billings done by the hospital at the hospital rate and in the current space is licensed as a hospital outpatient department.

As this Board has seen in recent years, certain types of procedures, including most endoscopic procedures have been migrating out of the hospital to lower cost ambulatory settings such as physicians' offices and other ambulatory centers. When we learned of the gastroenterologists' interest in an ambulatory surgery center, it seemed like a no-brainer to investigate a conversion of the procedure suite that's already in place.

After a number of positive meetings between the hospital and AMITA representatives and the physicians, we engaged our legal team on the concept and structure of this joint venture GI ASTC, and that's the project that we're presenting to you today.

In the most general terms, AMITA's parent, Ascension Health, is providing the initial financing for the required renovation to meet IDPH ASTC licensure standards for the initial purchase of equipment and for the project's soft costs. The hospital is providing equipment currently in use, and approximately 14 gastroenterologists either as individuals or groups have indicated their desire to enter into an agreement to purchase

up to 49 percent interest in the ASTC prior to licensure.

From the hospital's perspective, we think this is a great situation and a great deal for all patients, community, physicians, and the hospital.

From the hospital perspective, this allows us to have a controlling interest in what we believe will be a very successful surgery center and allow us to maintain and grow our relationships with the participating gastroenterologists.

From the physician's perspective, it allows them to acquire ownership interest in a surgery center with very minimal front-end expenses.

From the community perspective it allows us to better meet the customer and patients' demand of the triple A, lower costs, higher quality, and a better patient experience.

With that I'd like to turn it over to Mr. Axel to address the staff report.

MR. AXEL: Thank you.

The application was evaluated against a total of 23 criteria and was found to be in compliance with 21 of those 23, including every

single criterion that could possibly be met by the applicants.

What I mean by that is that the two negatives were Criteria 1110230 C6 and C7, both of which address the existing supply of operating rooms and procedure rooms located within 10 miles of the St. Joseph's site. That area, by the way, runs from University of Chicago on the south, to Evanston on the north, and to the western limits of Chicago.

Because of other hospitals and ASTCs that are not meeting their target utilization levels for both their ORs and their various types of procedure rooms, these two criteria cannot be met. I think it's worth noting that per Table 1 in the staff report, only two ASTCs within the 10-mile service area provide endoscopy services. One of those is the area's only endoscopy center, and as noted in the table, it's operating in excess of the target utilization level. The other ASTC is approved to provide a variety of services, has had licensure issues in recent years, and did a total of 11 procedures during 2018, none of which were endoscopic.

Turning to the staff report's 21 positive findings, every criterion related to the demand for service, to patient origin, to project cost, square footage, to the number of procedure rooms to be provided, and to financing were found to be in compliance with your standards. Those memories of the Board that have reviewed numerous ASTC projects will recognize that that level of compliance doesn't happen with regularity.

With that we thank you for your attention, and we'd be happy to answer any questions you may have.

CHAIRWOMAN SAVAGE: Any questions from our Board members?

Gary -- oh, one second, Gary is going to speak first.

MEMBER KAATZ: Could you help me with this? What are your clinical limits going to be in the new facility? You're not going to do retrograde cannulations, I suspect, but tell me where you think you're going with your clinical limitations, please.

MR. BAIRD: I'll ask Dr. Gluskin to address that.

DR. GLUSKIN: Our current plan would be to do the basic endoscopic procedures, upper endoscopy, colonoscopy, feeding or PEG tube placements. That's the main goal right now. We talked possibly about in the future endoscopic ultrasound, but even that is not in the plans for right now and just limited to just the basic procedures that we actually are doing every day.

MEMBER KAATZ: And are you going to charge outpatient rates now and not the hospital rates, or are you going to continue with hospital rates?

MR. BAIRD: No, we would be moving this to ambulatory rates, as you know, significantly lower than current hospital rates.

MEMBER KAATZ: Thank you.

MR. BAIRD: You're welcome.

CHAIRWOMAN SAVAGE: Any other questions? I believe, Dr. Martell, you were up next.

MEMBER MARTELL: Yes. I had a question regarding if there's a current backlog in procedures given the capacity throughout the region.

MR. BAIRD: I would say that there is a backlog of procedures. Certainly, we're seeing a migration of many of these types of procedures to

ambulatory settings and to in some cases physician's offices. Certainly, CMS is incentivizing more and more procedures to be moved to this type of setting, insurance companies -- United Healthcare has a site of service requirement to move endoscopies to this type of area, as well. So yes, there is a backlog and a need for -- a stronger demand than there is a supply of ambulatory GI settings like this.

MR. AXEL: And if I could just jump in for a second. Dr. Martell, as you're certainly aware, there is a real push for screenings right now, and that's been going on for the past couple years, and we expect the volume of screenings to be going up.

CHAIRWOMAN SAVAGE: Any other questions from the Board?

(No response.)

CHAIRWOMAN SAVAGE: George, if you could do the roll call.

MR. ROATE: Motion made by Dr. Murray, seconded by Dr. Martell.

Senator Demuzio.

(No response.)

MR. ROATE: I'll return back.

Mr. Kaatz.

MEMBER KAATZ: I vote yes based on the staff report.

MR. ROATE: Thank you.

Dr. Martell.

MEMBER MARTELL: No, based on staff report.

MR. ROATE: Thank you.

Dr. Murray. Dr. Murray.

CHAIRWOMAN SAVAGE: You're on mute, Dr. Murray.

MEMBER MURRAY: Yes. I vote no based on staff report.

MR. ROATE: Thank you.

Mr. Slater.

MEMBER SLATER: I vote yes based on the testimony.

MR. ROATE: Thank you. Senator Demuzio.

MEMBER DEMUZIO: George?

MR. ROATE: Yes, ma'am.

MEMBER DEMUZIO: Can you hear me?

CHAIRWOMAN SAVAGE: Yes. What is your vote?

MEMBER DEMUZIO: I vote yes based upon the report and testimony.

MR. ROATE: Thank you.

If I may ask, Mr. Kaatz, what was your vote again?

MEMBER KAATZ: My vote was yes.

MR. ROATE: Okay, thank you.

Chairwoman Savage.

CHAIRWOMAN SAVAGE: And my vote is yes based on the testimony and staff report.

MR. ROATE: Thank you. That's 4 in the affirmative, 2 votes in the negative.

MR. AXEL: Ms. Savage, may I make a comment, please?

CHAIRWOMAN SAVAGE: Certainly.

MR. AXEL: I'm somewhat surprised by the vote, and I just want to make sure that all of the Board members understood what the two negatives were. And I want to make sure because there is no ASTC project that can meet those two criterion anywhere in the state of Illinois, whether it be a GI project or anything else.

We've gone through this in the past with other projects, and I just want to make sure that everybody understood the negative -- the two negative findings which were the same issue, and if there is any confusion, I would ask for a revote.

MS. AVERY: You can ask the two to rescind if they want or if they have questions based on what he just said.

CHAIRWOMAN SAVAGE: Dr. Martell and Dr. Murray, would you like to rescind your vote, or would you like to ask any questions at this time?

MS. AVERY: Or have Mike respond to.

CHAIRWOMAN SAVAGE: Or if Mike would like to share any facts.

MR. CONSTANTINO: Well, what Jack said is true; there's only two ASTCs within that area that are providing this service right now. However, we're required to look at both hospitals and all ASTCs within that given area.

MS. AVERY: Dr. Martell and Dr. Murray, did you hear Mike's explanation?

MEMBER MARTELL: It was hard to hear, but I read the report and my concern is the number -- the number of facilities below capacity in that region, and I think that that's a concern I had for maldistribution of services.

CHAIRWOMAN SAVAGE: Mr. Axel will speak now.

MR. AXEL: I would like to address that specific issue, and Mike and I have talked about

this on numerous occasions.

The hospital -- the underused operating rooms and procedure rooms in the area run the gamut from operating rooms designated specifically from -- to open heart -- excuse me -- designated specifically from open heart surgery, to other types of invasive surgery, to procedure rooms ranging from laser eye rooms, to the endoscopy rooms. The endoscopy, by the way, are all located in one surgery center. That surgery center is operating in excess of the part of the, and the volumes in the area also include other types of procedure rooms, laser eye rooms, pain management rooms, and there's also a couple others.

In terms of access to rooms for endoscopy in a nonhospital setting, there is no access. Dr. Gluskin and the other dozen or so physicians interested in this facility, yes, they could get privileges at the only center that provides endoscopy in the 10-mile area that has specific rooms for endoscopy, but the problem is because the high utilization of that facility, for them to get time in one of those rooms, it's going to be Thursday at 5:00 or Wednesday at 7:00 p.m.

The access issue is the key here. And when you're talking about access to endoscopy rooms outside of the hospitals proper, the expensive hospitals, there is no access.

And I say that by the way with all due respect. Mike and I have talked about this on numerous occasions.

CHAIRWOMAN SAVAGE: Any other questions or a decision on whether you wish to rescind your vote at this time?

MEMBER MURRAY: I want to be clear on the answer he just gave. I think I heard him say that there was not excess facilities outside of the hospital, but now, the ones that are located in the hospital, they still do some outpatient procedures; is that not correct?

MR. AXEL: That is correct but they're being done at anywhere, depending on the hospital, from 30 to 40 percent higher rates than you would find in an ASTC and the rates that would be used at this facility.

And you are getting one insurance company after another telling the physicians, "You may no longer do these procedures in the hospital

setting; you have to take them to a lower cost setting."

And perhaps Dr. Gluskin would like to give his experience with that.

DR. GLUSKIN: That is correct. A number of insurance companies, especially United Healthcare, I've been unable to --

MEMBER MARTELL: So I want to do a follow-up because when I looked at the report at the hospital's equation in there, we had some ASTCs throughout that are still not at capacity. Are you saying that you're unable to schedule in those facilities?

MR. AXEL: What I'm saying -- I'll let Dr. Gluskin jump in. What I'm saying is the ASTCs in the area that have endoscopy rooms, there are only two. There's the one that has four rooms that is running over capacity, and there is the second facility that technically has an endoscopy room. It is a facility that has had licensure issues recently in the past, and the most recent data provided to the Board shows that they did only 11 procedure in the entire surgery center during 2018, and of those 11, none of them were

endo. The other ASTCs do not provide endoscopy services.

CHAIRWOMAN SAVAGE: Doctor, did you want to share?

DR. GLUSKIN: Again, I agree with Jack and there's an endoscopic center in the south loop that just does endoscopy. That's the only one that's purely just endoscopy, and that center is located far away. They actually are overutilized, so there would be no single-specialty endoscopy center in our area at all within a 10-mile radius. And I think, as you can see from the report, about 82 percent of our patients are within the area located by St. Joseph Hospital in that area. So going further would be a hardship, also, for the patients who normally come to St. Joseph's Hospital.

MR. BAIRD: This is John Baird. I just wanted to add, I think --

MS. AVERY: Really loud, closer and louder.

MR. BAIRD: We have close to 14 gastroenterologists now interested in this, and they recognize, again, as Mr. Axel had said, that the CMS, Medicare, and insurances are actually incentivizing and moving these procedures to an

ASTC site like this. So thus, the reason that we want to do this, to lower costs for consumers. Of course, with that much lower cost going from hospital prices to ambulatory prices, that's passed on to consumers through their deductibles and copays, as well.

So we do think there's a tremendous demand. As you can see in the report, by the second year we believe we'd have close to 10,000 endoscopy procedures in this project.

CHAIRWOMAN SAVAGE: Dr. Martell or Dr. Murray, any other questions?

MR. AXEL: Will we do a revote?

CHAIRWOMAN SAVAGE: Please speak up if you wish to rescind your vote. Or if you wish to keep it, please just say that again one more time.

Dr. Martell, can you just repeat your vote then.

MEMBER MURRAY: Were you asking me?

CHAIRWOMAN SAVAGE: Yes, you can go and then Dr. Martell, if you could just repeat --

MEMBER MURRAY: Yes, I vote no.

CHAIRWOMAN SAVAGE: Thank you.

Dr. Martell.

MEMBER MARTELL: I'm voting no.

CHAIRWOMAN SAVAGE: Thank you.

MR. ROATE: Vote stands 4 in the affirmative, 2 in the negative.

CHAIRWOMAN SAVAGE: And the application for permit is -- the motion fails, and we will follow up with you very soon.

MR. AXEL: Thank you.

MS. AVERY: Dr. Martell, are we still under the hard stop for you.

MEMBER MARTELL: Yes. I'm going to have to cut off at this point.

MS. AVERY: I will text you -- after you're done, can you text me when you're done?

MEMBER MARTELL: I will, Courtney. Thank you.

MS. AVERY: Thank you.

- - -

John Baird
President

August 7, 2020

Via FedEx and Electronic Mail

Ms. Courtney Avery, Administrator
Illinois Health Facilities
and Services Review Board
525 West Jefferson
Springfield, IL 62761

Re: Project 20-012
Lincoln Park Gastroenterology Center
Submission of Additional Information

Dear Ms. Avery:

At the Health Facilities and Services Review Board's ("HFSRB's") June 30, 2020 meeting, our project for the establishment of an ASTC for the provision of gastroenterology services received a 4-2 vote for approval. While we received the support of a majority of the Board, we saw that we need to address the concerns that Board members expressed, and to better explain the mission of the project. We continue to believe that the project is precisely the type of project that the Board should encourage: it provides the exact same care, at a much lower cost, in collaboration with physicians, with no increase in the area's inventory of procedure rooms, and has received no opposition. We are providing this additional material to assist the Board in the consideration of our project; and as discussed below, we would agree to a condition being placed on the Permit, that would curtail the addition of operating rooms and procedure rooms at the Hospital.

Overview of the Project

The proposed project is a joint venture between AMITA Health Saint Joseph Hospital-Chicago ("the Hospital") and area gastroenterologists, designed to provide a low-cost setting for the performance of outpatient endoscopies. Current plans are for physicians to cumulatively hold up to a 49% ownership share in the ASTC's operating entity, and hold 50% of the entity's Board seats. Many of the gastroenterologists anticipated to acquire ownership shares are currently performing cases in the Hospital procedure rooms that will become the ASTC. While the project will be moving a high volume of outpatient procedures out of the Hospital, we believe that the community will benefit, greatly; and that in the long run, the Hospital will benefit from the partnership with the physicians. For that reason, we do not see any "downside" to the project.

AMITA Health
Saint Joseph Hospital Chicago
Department of Administration
2900 N. Lake Shore Dr.
Chicago, IL 60657

773.665.3972

AMITAhealth.org

Key Points and Benefits of the Project

- Access to low-cost endoscopy procedures, as performed in an ASTC, is not available in the HFSRB-designated 10-mile geographic service area ("GSA") due to a lack of ASTCs approved, designed and equipped for the providing of endoscopy procedures.

- The proposed project, because it is simply re-designating four existing Hospital-operated endoscopy rooms to an ASTC, is not adding any operating or procedure rooms to the area's inventory.

- The applicants will commit to not adding any operating or procedure room capacity to the Hospital until the proposed ASTC has operated at the HFSRB's target utilization level for twelve consecutive months. And, the applicants would agree to that commitment being placed as a condition of the CON Permit.

- The ASTC will be operated as a joint venture between Presence Chicago Hospitals Network (which owns and operates the Hospital) and area gastroenterologists.

- The proposed ASTC's charge structure is approximately 67% lower than that currently in place for outpatients receiving identical procedures at the Hospital.

- Because the proposed ASTC will use existing procedure rooms, the project cost (less the fair market value of leases) is minimal, only approximately $1.7M, including a modernization cost of $69 per square foot, compared to the State Board standard of $330 per square foot.

- The project has received no opposition from other area providers, or anyone else.

Reasons the Hospital Pursued the Project

The Hospital recognizes the trend to move outpatient endoscopy procedures out of the Hospital, to lower-cost settings. Attached to this letter is a brief summary assessment of the gastroenterology service trends in the market, prepared by AMITA, and based on SG2 analyses (ATTACHMENT A). With these trends, the Hospital acknowledges that the decision to partner with our physicians in the proposed ASTC, and move the procedure rooms from hospital-based rooms to the ASTC will ultimately result in a loss of procedures for the Hospital. However, the Hospital holds the benefits to the community that will result from the proposed project as paramount to this loss.

Discussion of Negative Findings in the Original State Board Staff Report

Our project received only two negative findings in the original State Board Staff Report, and we wish to further address those two findings.

A. The Proposed Project Will Improve Service Accessibility-Criterion 1110.235(6)C), Service Accessibility

Access to low-cost endoscopy procedures, as performed in an ASTC, is not available in the HFSRB-designated 10-mile geographic service area ("GSA").

The absence of accessibility is due to three factors:

1. Hospital charge structures are typically 60-70% higher than those of ASTCs, and therefore do not provide the low-cost treatment setting of an ASTC. Therefore, hospitals do not provide accessibility to the low-cost treatment targeted and achieved by the proposed project.

2. The only two ASTCs in the GSA performing endoscopy procedures are operating at the HFSRB's target utilization level, and therefore cannot accommodate the nearly 10,000 annual procedures projected to be performed in the proposed ASTC. Therefore, the area ASTCs performing endoscopy procedures do not provide accessibility.

3. The vast majority of area ASTCs are not approved, designed, and equipped for the performance of endoscopic procedures. In fact, aside from the two ASTC's noted in the paragraph above (both of which are single-specialty centers) sixteen of the seventeen remaining ASTCs located in the GSA are not approved and designed for the performance of endoscopy procedures. Among the considerations that would need to be addressed by any of these facilities prior to initiating endoscopy procedures would be the re-design and renovation/constructed needed for the provision of negative airflow, modification to ensure infection control safeguards, and the provision of space for the storage of endoscopy equipment. In the most basic of terms, open incision surgical procedures are performed in "clean" rooms, while endoscopy procedures are performed in non-sterile rooms. An analysis of the facility-related requirements of the two environments, prepared by IMEG, is attached (ATTACHMENT B). In addition, any ASTC proposing the initiating of endoscopy services would require a new CON Permit to do so.

The single ASTC approved to provide endoscopy procedures, but not operating at the target utilization level is Six Corners Same Day Surgery, a multi-specialty ASTC. A review of HFSRB *Profile* data, however, reveals that from 2015 through 2018 (the only annual data available/the facility has failed to file it's 2019 *Annual Questionnaire,* as required) no endoscopic procedures were performed at this ASTC. While Six Corners Same Day Surgery is approved to have an endoscopy procedure room, given that no endoscopic procedures have been performed there since at least 2014, it does not appear that endoscopy services are accessible at Six Corners.

Therefore, neither the area hospitals nor the area ASTCs provide accessibility to low-cost endoscopy services.

B. The Proposed Project Does Not Result in Unnecessary Duplication, Review Criterion 1110.235(7), Unnecessary Duplication/Maldistribution

The *State Board Staff Report* prepared for the June 30, 2020 hearing notes that the ratio of operating/procedure rooms per 1,000 population in the project's geographic service area is .1847. The State-wide ratio is .2118 per 1,000 population. Therefore, the distribution of operating/procedure rooms in the HFSRB-designated GSA is significantly below that of the State.

Further, the proposed ASTC will occupy four endoscopy rooms currently operating under the Hospital's license, and located in the medical office building adjacent to the hospital. As a result, the proposed project does not add any operating rooms or procedure rooms, and therefore cannot be viewed as creating an unnecessary duplication or contributing to a maldistribution (which doesn't exist).

For reference, we have attached a floor plan of the fifth floor the medical office building adjacent to the Hospital (ATTACHMENT C), showing the Hospital's four existing procedure rooms and support areas that will become the proposed ASTC, as well as a set of pictures of the hospital site, showing the relationship between the Hospital and the medical office building (ATTACHMENT D).

Proposed Condition on Permit

At the June 30th hearing, the two Board members voting "no" explained their vote as a concern about excess capacity. We hope that our clarification above, which explains that the proposed project creates no additional procedure rooms or capacity allays that concern. The proposed project consists of converting the four existing Hospital endoscopy procedure rooms and associated support space into an ASTC. However, to further address the stated concern over excess capacity, the Applicants propose a condition on our Permit – that the Applicants agree that the Hospital will not increase its surgical/treatment room capacity until the proposed ASTC's procedure rooms have operated at or above the utilization rate specified in 77 Ill. Adm. Code 1100, for a period of at least twelve consecutive months.

Cost Savings to the Community

The charge structure for the proposed ASTC is significantly lower than the hospital's outpatient charge structure, with most procedures' ASTC charges being 63-70% below those currently in place at the Hospital. The table below compares the proposed charges for the seven most common procedures anticipated to be performed in the ASTC, to the comparable charges for outpatients receiving those procedures in the Hospital; and the Applicants, with the submission of this letter, confirm that the ASTC's proposed charge schedule will not increase for, at minimum, the first two years of the proposed ASTC's operation, unless specific approval has been granted by the HFSRB to do so.

CPT Code	Procedure	ASTC Charge	Hospital Outpt. Charge	Difference
45378	Diagnostic Colonoscopy	$1,000	$2,680	63%
44394	Colonoscopy w Snare	$1,200	$3,823	69%
44389	Colonoscopy w Biopsy	$1,300	$3,823	66%
44392	Colonoscopy w Polypectomy	$1,200	$3,823	69%
45380	Colonoscopy and Biopsy	$1,300	$3,823	66%
43239	EGD Biopsy Single/Multiple	$1,000	$3,823	74%
43235	EGD Diagnostic Brush Wash	$1,000	$2,680	63%

Further, and based on CMS published data for the procedures identified above, the out-of-pocket savings for Medicare recipients will average $89.57 per procedure, when compared to Hospital outpatient rates. Based on the projected 9,886 procedures to be performed during the second, and subsequent years of operation, and the anticipated payor mix, which includes 40% of the patients being Medicare recipients, annual out-of-pocket savings for Medicare recipients alone, are projected to be approximately $354,000. Similar savings for non-Medicare recipients would result in total out-of-pocket annual savings of approximately $885,000. We have included CMS documentation of out-of-pocket savings to be realized for the most commonly-performed gastroenterology procedures (ATTACHMENT E).

Conclusion

The proposed project will result in a service that is not accessible within the HFSRB-designated geographic service area, will result in significant cost savings, has a significantly-lower project cost than comparable projects, will not result in the addition of operating/procedure rooms to the area, has received no opposition, and in response to the concerns raised by the Board, the applicants propose a condition to the Permit that would preclude the addition of operating and procedure rooms to the Hospital.

Thank you for the opportunity to provide this supportive information, and should any additional information be required, please don't hesitate to contact me.

Sincerely,

John Baird, FACHE
President & CEO

Attachments:

A. assessment of gastroenterology services trends in the market
B. comparison of facility-related requirements of an OR vs a procedure room
C. photographs of site, Hospital, medical office building, and procedure room
D. floor plan of space to be used for the proposed ASTC
E. CMS analysis of out-of-pocket savings

cc J. Roknich
J. Axel
M. Constantino

GI is projected to grow significantly in the ambulatory surgery setting

- **Health systems are increasingly focusing on ambulatory surgery center (ASC) services due to clinical innovation, cost pressures, patient engagement, and operational efficiency.**

- In 2017, national ambulatory surgical center (ASC) volumes increased by 22.9% nationally. **This growth is due, at least in part, to pressure from CMS and commercial payers to shift surgeries to lower-cost sites of care.** The 2020 HOPPS and ASC Proposed Rule shows that CMS will only continue to encourage this trend.

- In gastroenterology, colorectal cancer screening represents the main driver of outpatient procedural growth. Growth will be augmented by updated screening guidelines by the American Cancer Society, which lowered the recommended age to begin screening from 50 to 45 years**. Commercial payer site of care restrictions will further drive volume from the HOPD to the ASC setting.**

Other Factors driving GI from HOPD to ASC:

- Growing physician experience/comfort with clinical/ technologic advances
- Payer pressure (varies by market and insurer)
- ASC evolution (eg, venture capital investment, payers buying ASC companies)
- Policy initiatives that continue to increase competition
- State regulatory climates favorable to ASCs
- Consumerism (cost transparency, price sensitivity, lower copays at lower-cost sites, convenience for patients
- Physician ownership of ASCs; physician entrepreneurship; physician desire for control

GI Hospital Based procedures driven to ASC settings

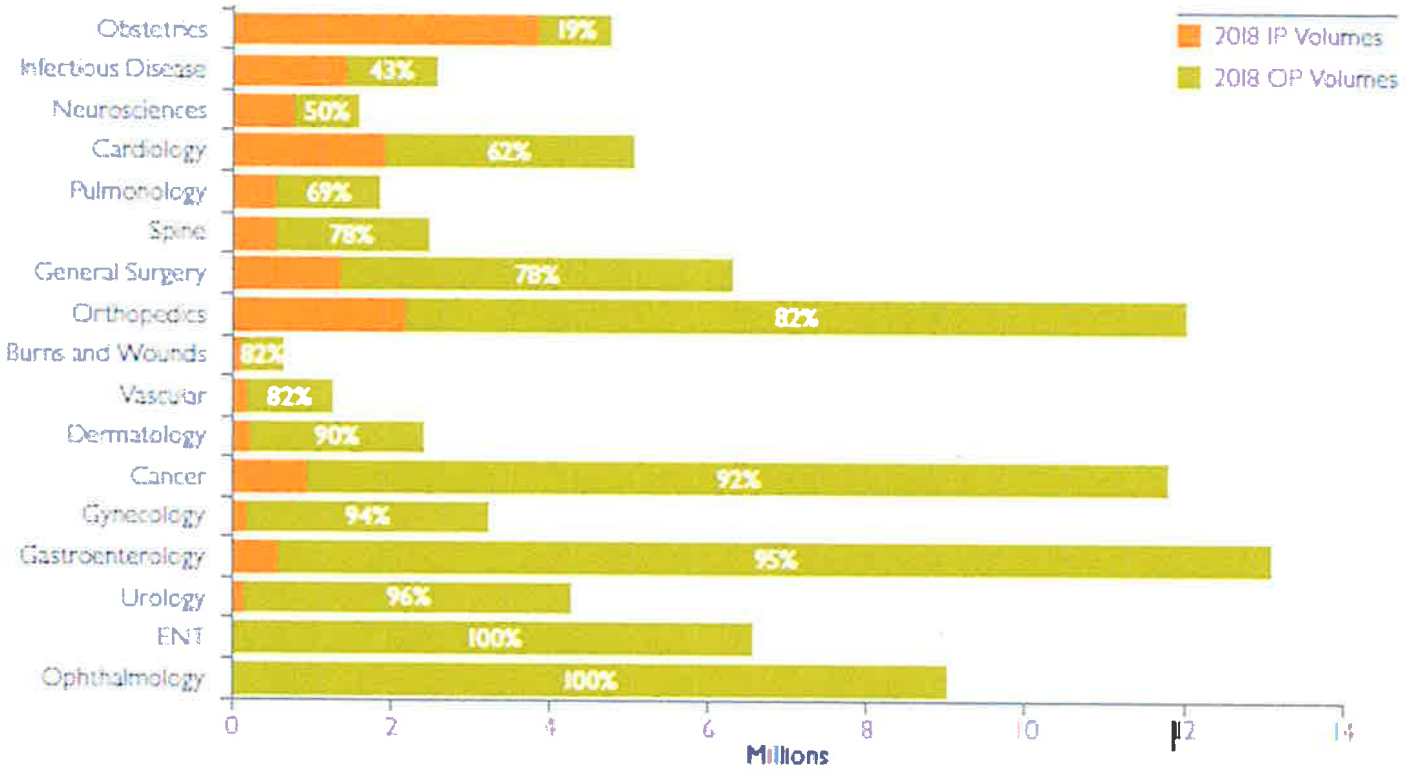
- GI-focused ASCs are a major driver of providing a **lower cost site of care**
- **HOPD is not the preferred location for general GI procedures**
- In 2019, CMS increased ASC reimbursement by an average of 2.1% per procedure, nearly a full percentage higher than HOPD average increase.

- **United Healthcare is the first payer to deny colonoscopies in a HOPD and require they are performed in an ASC or office endoscopy site**.
  - Employers and Payers will incentivize patients to seek ambulatory sites with lower copays.
  - Insurance companies will likely follow suit and begin favoring ASCs over HOPDs in the coming years.
- ACOs will contract with the lowest cost providers
- Significant decline in HOPD volume as market shifts to ambulatory sites of care
- Since endoscopy procedures make up 39% of all ASC cases, the biggest question is whether these will migrate to the office setting. The Society of American Gastrointestinal and Endoscopic Surgeons published guidelines for office endoscopic services in 2008, but widespread adoption did not follow. Anesthesia requirements, high equipment cost and infection concerns create a significant barrier to office transition.

Service Line

The outpatient portion of procedures currently varies from 19% to 100% across service lines, with two-thirds of service lines already having 85% or more of procedures performed on an outpatient basis.

2018 PROCEDURE VOLUME BY SERVICE LINE



ATTACHMENT A

SG2 Forecast for GI procedures

FUTURE LOCATION SHIFTS BY PROCEDURE

	2018–2028 FORECAST: SITE OF CARE OUTLOOK	DRIVERS MAINTAINING THE STATUS QUO	DRIVERS MOVING VOLUMES TO LOWER-COST SITES
Upper GI Endoscopy, Colonoscopy excluding cancer	Upper GI endoscopy • IP discharges: NA+ • OP volumes: +19% Colonoscopy: • IP discharges: NA+ • OP volumes: 17% **Outlook** • These are consistently among the top 3 procedures performed in ASCs by volume. • Growth will be moderated by precision diagnostics (liquid biopsies, Cologuard) replacing procedures.	• Employment among gastro-enterologists is increasing. • Complicated colonoscopies are done in the HOPD.	• Gastroenterologists' equity in ASCs is substantial; 22% of ASCs are gastroenterology focused. • Supergroups are on the rise. • Funding by outside investors is expanding. • These procedures appear on ASC-only lists in some commercial insurance plans. However, payment pressure is highly variable by market.

Operating Rooms

Per ASHRAE 170-2017, the Standard for Ventilation of Health Care Facilities, an operating room is defined as " a room in the surgical suite that meets the requirements of a restricted area and is designated and equipped for performing surgical or other **invasive** procedures..."

HVAC Implications:

- 4 outside air changes, 20 total air changes
- A pressure differential must be maintained of at least +0.01 w.g.
- Group E, non-aspirating diffusers (laminar flow).
- Airflow shall be unidirectional, downwards, and the average velocity shall be 25 to 35 cfm/ft^2.
- The airflow pattern shall be concentrated over the patient and surgical team and provide a coverage area that extends a minimum of 12 in beyond the footprint of the surgical table on each side.
- The room shall be provided with at least two low side-wall return or exhaust grilles spaced at opposite corners or as far apart as possible.

Medical Gas Implications:

- Oxygen: 2 outlets per room
- Medical Air: 1 outlet per room
- Medical Vacuum: 5 outlets per room
- Instrument Air: 1 outlet per room
- Nitrous Oxide: Typical anesthesia gas required.
- Waste Anesthesia Gas Disposal: 1 outlet per room.

Plumbing Implications:

- FGI requires one hand scrub position located next to the entrance of each operating room.

Electrical Implications (NFPA 99):

- 36 receptacles (minimum), at least 12 each on critical (generator) and normal power
- Isolated power
- Battery powered lighting in addition to general lighting

Gastrointestinal Procedure Room

Per ASHRAE 170-2017, the Standard for Ventilation of Health Care Facilities, a procedure room is defined as "a room designated for the performance of procedures that **do not** meet the definition of "**invasive** procedure" and may be performed outside the restricted area of a surgical suite..."

ATTACHMENT B

1100 East Warrenville Road, Suite 400W, Naperville, IL 60563
630.527.2320 Fax: 630.527.2321 imegcorp.com

HVAC Implications:

- 2 outside air changes, 6 total air changes
- No pressure requirements to adjacent spaces.
- Group E, non-aspirating diffusers (laminar flow).

Medical Gas Implications:

- Oxygen: 2 outlets per room
- Medical Air: 1 outlet per room
- Medical Vacuum: 2 outlets per room
- Nitrous Oxide: Provided as needed.
- Waste Anesthesia Gas Disposal: Provided as needed.

Plumbing Implications:

- No scrub sink required.

Electrical Implications (NFPA 99):

- 14 receptacles (minimum) split between generator and normal power.
- Isolated power not required
- Both generator power and normal (utility) power

Procedure room	Patient care that requires high-level disinfection of the room, sterile instruments, and some environmental controls but does not require the environmental controls of an operating room Endoscopic procedures	Semi-restricted area	Accessed from an unrestricted or a semi-restricted area	*Flooring:* cleanable and wear-resistant for the location; stable, firm, and slip-resistant *Floor and wall base assemblies in cystoscopy, urology, and endoscopy procedure rooms and endoscope processing room:* monolithic floor with integral coved wall base carried up the wall a minimum of 6 inches *Wall finishes:* washable *Wall finishes in endoscopy procedure room and endoscope processing room:* washable; free of fissures, open joints, or crevices *Ceiling:* smooth and without crevices, scrubbable, non-absorptive, non-perforated; capable of withstanding cleaning chemicals; lay-in ceiling permitted if gasketed or each ceiling tile weighs at least one pound per square foot and no perforated, tegular, serrated, or highly textured tiles
Operating room	Invasive procedures[3] Any procedure during which the patient will require physiological monitoring and is anticipated to require active life support	Restricted area	Accessed from a semi-restricted area	*Flooring:* cleanable and wear-resistant for the location; stable, firm, and slip-resistant *Floor and wall base assemblies:* monolithic floor with integral coved wall base carried up the wall a minimum of 6 inches *Wall finishes:* washable; free of fissures, open joints, or crevices *Ceiling:* monolithic, scrubbable, capable of withstanding cleaning and/or disinfecting chemicals, gasketed access openings

ATTACHMENT C

View from sheridan ave

ATTACHMENT C

ATTACHMENT C

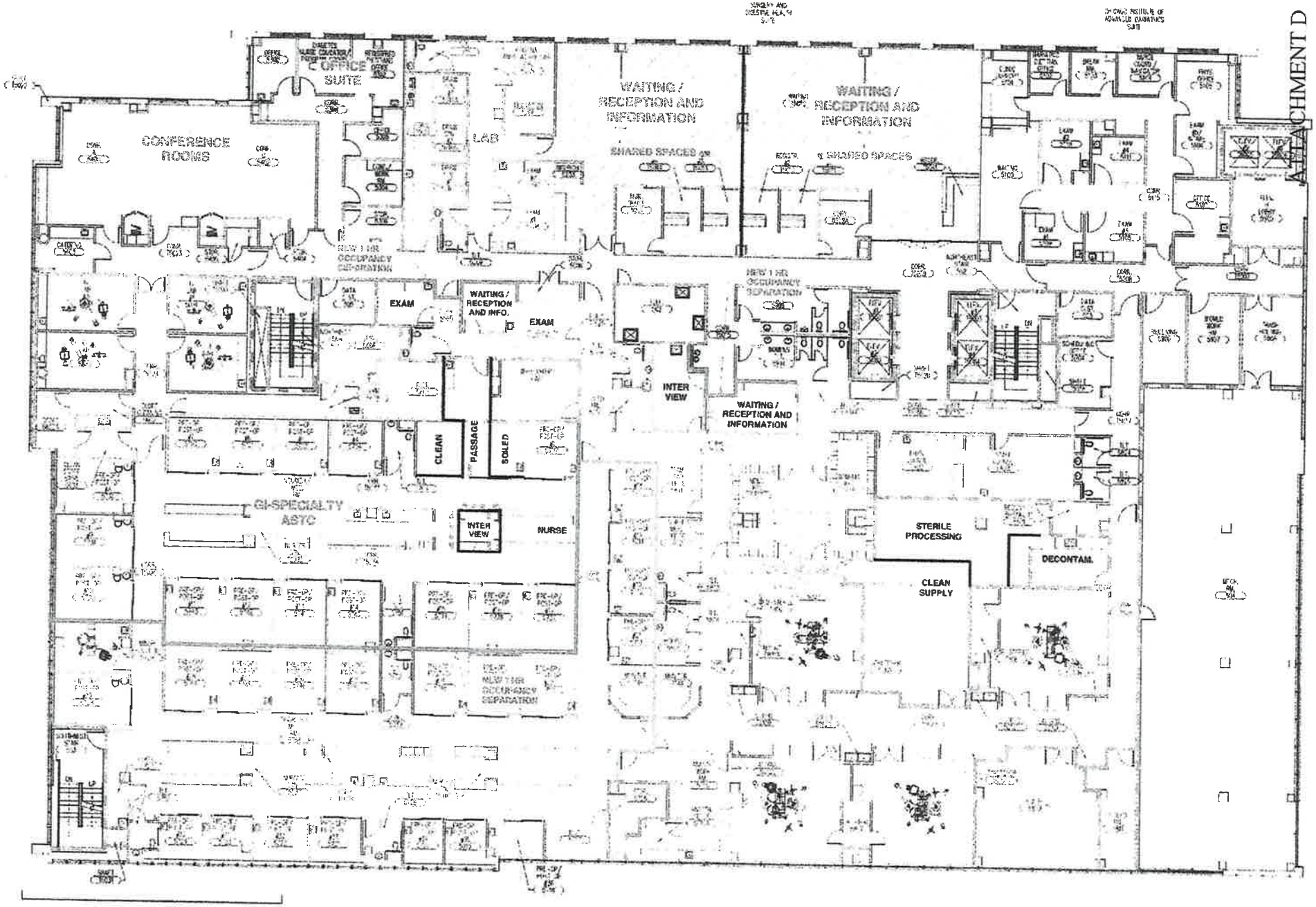
ATTACHMENT C

skybridge

ATTACHMENT C

ATTACHMENT C

ATTACHMENT D



Procedure Price Lookup

Share Print

Colonoscopy, flexible; with biopsy, single or multiple

Code: 45380

Ambulatory surgical centers		Hospital outpatient departments	
Patient pays (average)	$101	Patient pays (average)	$200
Medicare Pays	$405	Medicare Pays	$803
Total Cost	$507	Total Cost	$1,004

Next Steps: Use this checklist to talk to your doctor about your costs and options, or find ambulatory surgical centers and hospitals in your area.

Search for another procedure

- Prices shown here don't include physician fees.
- Treatment may include more than one procedure.

ATTACHMENT E

Procedure Price Lookup

Share Print

Removal of large bowel polyps or growths using an endoscope

Code: 44394

Ambulatory surgical centers		Hospital outpatient departments	
Patient pays (average)	$101	Patient pays (average)	$200
Medicare Pays	$405	Medicare Pays	$803
Total Cost	$507	Total Cost	$1,004

Next Steps: Use this checklist to talk to your doctor about your costs and options, or find ambulatory surgical centers and hospitals in your area.

Search for another procedure

- Prices shown here don't include physician fees.
- Treatment may include more than one procedure.

ATTACHMENT E

Procedure Price Lookup

Share Print

Colonoscopy, flexible; diagnostic, including collection of specimen(s) by brushing or washing, when performed (separate procedure)

Code: 45378

Ambulatory surgical centers		Hospital outpatient departments	
Patient pays (average)	$77	Patient pays (average)	$152
Medicare Pays	$308	Medicare Pays	$611
Total Cost	$385	Total Cost	$763

Next Steps: Use this checklist to talk to your doctor about your costs and options, or find ambulatory surgical centers and hospitals in your area.

Search for another procedure

- Prices shown here don't include physician fees.
- Treatment may include more than one procedure.

ATTACHMENT E

Procedure Price Lookup

Share Print

Diagnostic examination of esophagus, stomach, and/or upper small bowel using an endoscope

Code: 43235

Ambulatory surgical centers		Hospital outpatient departments	
Patient pays (average)	$79	Patient pays (average)	$157
Medicare Pays	$317	Medicare Pays	$628
Total Cost	$397	Total Cost	$785

Next Steps: Use this checklist to talk to your doctor about your costs and options, or find ambulatory surgical centers and hospitals in your area.

Search for another procedure

ATTACHMENT E

- Prices shown here don't include physician fees.
- Treatment may include more than one procedure.

Procedure Price Lookup

Share Print

Biopsy of the esophagus, stomach, and/or upper small bowel using an endoscope

Code: 43239

Ambulatory surgical centers		Hospital outpatient departments	
Patient pays (average)	$79	Patient pays (average)	$157
Medicare Pays	$317	Medicare Pays	$628
Total Cost	$397	Total Cost	$785

Next Steps: Use this checklist to talk to your doctor about your costs and options, or find ambulatory surgical centers and hospitals in your area.

Search for another procedure

- Prices shown here don't include physician fees.
- Treatment may include more than one procedure.

ATTACHMENT E

Procedure Price Lookup

Share Print

Removal of polyps or growths of large bowel using an endoscope which is inserted through abdominal opening

Code: 44392

Ambulatory surgical centers		Hospital outpatient departments	
Patient pays (average)	$101	Patient pays (average)	$200
Medicare Pays	$405	Medicare Pays	$803
Total Cost	$507	Total Cost	$1,004

Next Steps: Use this checklist to talk to your doctor about your costs and options, or find ambulatory surgical centers and hospitals in your area.

Search for another procedure

- Prices shown here don't include physician fees.
- Treatment may include more than one procedure.

ATTACHMENT E

Procedure Price Lookup

Share Print

Biopsies of large bowel using an endoscope which is inserted through abdominal opening

Code: 44389

Ambulatory surgical centers		Hospital outpatient departments	
Patient pays (average)	$101	Patient pays (average)	$200
Medicare Pays	$405	Medicare Pays	$803
Total Cost	$507	Total Cost	$1,004

Next Steps: Use this checklist to talk to your doctor about your costs and options, or find ambulatory surgical centers and hospitals in your area.

Search for another procedure

- Prices shown here don't include physician fees.
- Treatment may include more than one procedure.

ATTACHMENT E