STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-01	BOARD MEETING: November 5, 2020	PROJECT NO: 20-025	PROJECT COST: Original: $2,135,746
FACILITY NAME: Michigan Avenue Center for Health Ltd.		CITY: Chicago	
TYPE OF PROJECT: Substantive			HSA: VI

DESCRIPTION: The Applicants (Michigan Avenue Center for Health Ltd. And Michigan Health Systems, Ltd.) are proposing the establishment of a multi-specialty ASTC at 2415 South Michigan Avenue, Chicago, Illinois. The cost of the project is $2,135,746, and the expected completion date is December 31, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Michigan Avenue Center for Health Ltd. And Michigan Health Systems, Ltd.) are proposing to establish a multi-specialty ASTC at 2415 South Michigan Avenue, Chicago, Illinois. The newly established ASTC will contain one operating room, four recovery stations, and offer interventional radiology, obstetrics/gynecology, and pain management. The cost of the project is $2,135,746 and the expected completion date is December 31, 2021.
- The 4,876 GSF facility will be located within an existing medical office building, and half of the proposed space (4,438 GSF) will be classified as clinical space. The majority of project costs are for the purchase and leasing of required medical equipment.
- Michigan Avenue Center for Health formerly operated a pregnancy termination center and has expanded its scope of medical care to meet the health care needs of the service area. The Illinois Department of Public Health no longer licenses pregnancy termination centers as result of the passage of the Illinois Reproductive Health Act. The Illinois Reproductive Health Act repealed both the state Partial Birth Abortion Ban Act and the Illinois Abortion Act of 1975.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The Applicants propose to establish a health care facility as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3).
- One of the objectives of the Health Facilities Planning Act is *"to assess the financial burden to patients caused by unnecessary health care construction and modification. Evidence-based assessments, projections and decisions will be applied regarding capacity, quality, value and equity in the delivery of health care services in Illinois.* ***Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process."*** [20 ILCS 3960/2]

PUBLIC HEARING/COMMENT:

- No public hearing was requested, and no letters of support or opposition were received.

SUMMARY

- When evaluating a proposed project, by rule the State Board must consider if a proposed project best meets the needs of an area population. Need for a project considers such factors as demand, population growth, incidence and state and federal facility utilization (77 ILAC 1100.310).
- The Applicants propose to develop an ASTC that will provide outpatient surgical services to the residents of South Chicago, in a service area populated with predominately low-income residents, in an area that is considered as medically underserved. The GSA of the proposed ASTC primarily encompasses the south and southwest areas of Chicago. According to the Applicant based upon the most recent data available from the U.S. Census Bureau, approximately 25.3% of households in the zip code where the facility is located and 19.6% of the households within Applicant's GSA live at or below the federal poverty level.
- The Applicants are estimating 5.3% of revenue as Charity Care and 30% of revenue as Medicaid Revenue.
- The Applicants provided the following table estimating their five highest number of cases to be performed at the facility:

Executive Summary Table One				
# of Cases	Code	Description	ASTC Fee	HOPD Fee
175	59840	D&C	$3,975	N/A
45	37243	Uterine Fibroid	$7,540	$9,908
70	37248	Balloon Dilation	$952	$1,052
25	64493	Lumbar Joint Injection	$780	$812
20	66483	Sacral Joint Injection	$102	$180
1. Information provided by the Applicants				

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- The Applicants addressed a total of 23-criteria and failed to meet the following:

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
77 ILAC 1110.235 (c) (2) – Geographical Service Area Need	State Board rule requires that at least 50% of the patients will be coming from within the planning area. The 4 physicians identified as referring patients to the proposed facility referred 841 patients from the planning area. 30% of the historical referral came from the planning area and not 50% as required (841/2,785 = 30%). (see pages 12-13 of this report)
77 ILAC 1110.235 (c) (6) – Service Accessibility	The Applicants are required by rule to meet one of four conditions of the criterion. There are existing ASTCs in the planning area; there are existing ASTCs and hospitals operating below the 80% target occupancy; the surgical procedures being proposed are available in this planning area; and, the proposed project is not a cooperative venture with a hospital. The Applicants were unable to meet one of the four conditions as required.
77 ILAC 1110.235 (c) (7) Unnecessary Duplication/Maldistribution of Service	There are ASTCs and hospital surgery departments in the GSA operating beneath the State standard. (See Table One and the Tables at the end of this report)

STATE BOARD STAFF REPORT
Project 20-025
Michigan Avenue Center for Health

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	Michigan Avenue Center for Health Ltd. Michigan Health Systems, Ltd.
Facility Name	Michigan Avenue Center for Health
Location	2415 South Michigan Avenue, Chicago, Illinois
Permit Holder	Michigan Avenue Center for Health Ltd.
Operating Entity	Michigan Avenue Center for Health Ltd.
Owner of Site	Southwest Pacific L.P.
Total GSF	4,876 GSF (2,438 GSF clinical)
Application Received	June 1, 2020
Application Deemed Complete	June 18, 2020
Review Period Ends	October 16, 2020
Financial Commitment Date	November 5, 2021
Project Completion Date	December 31, 2021
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes
Expedited Review?	No

I. Project Description

The Applicants (Michigan Avenue Center for Health Ltd. And Michigan Health Systems, Ltd.) propose to establish a multi-specialty ASTC located at 2415 South Michigan Avenue, Chicago, Illinois. The cost of the project is $2,135,746 and the expected completion date is December 31, 2021.

II. Summary of Findings

A. State Board Staff finds the proposed project is **not** 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

Michigan Avenue Center for Health Ltd. And Michigan Health Systems, Ltd. are the Applicants. Nikita Backman, President, is the owner/operator of Michigan Avenue Center for Health, and currently owns no other health care facilities. Financial commitment will occur after permit approval.

IV. Center for Medicare and Medicaid Services

The proposed ASTC will be Medicare and Medicaid certified. The Center for Medicare and Medicaid Services requires that an ASC must be certified and approved (IDPH Licensed) to enter into a written agreement with CMS.

Participation as an ASC is limited to any distinct entity that operates exclusively for providing surgical services to patients not requiring hospitalization and in which the expected duration of services would not exceed 24 hours following an admission. An unanticipated medical circumstance may arise that would require an ASC patient to stay in the ASC longer than 24 hours, but such situations should be rare.

The regulatory definition of an ASC does not allow the ASC and another entity, such as an adjacent physician's office, to mix functions and operations in a common space during concurrent or overlapping hours of operations. CMS does permit two different Medicare-participating ASCs to use the same physical space, so long as they are temporally separated. That is, the two facilities must have entirely separate operations, records, etc., and may not be open at the same time. **State Board Staff Note:** The Illinois Department of Public Health **does not** license two ASCs at the same site or address.

ASCs are not permitted to share space, even when temporally separated, with a hospital or Critical Access Hospital outpatient surgery department, or with a Medicare-participating Independent Diagnostic Testing Facility (IDTF). Certain radiology services that are reasonable and necessary and integral to covered surgical procedures may be provided by an ASC; however, it is not necessary for the ASC to also participate in Medicare as an IDTF for these services to be covered. [Source: https://www.cms.gov/Medicare/Provider-Enrollment-and-Certification/CertificationandComplianc/ASCs.html]

V. Health Service Area

The proposed ASTC will be in the HSA VI Health Service Area. The HSA VI Health Service Area consists of the City of Chicago in Cook County. There are 28 hospitals and 13 licensed ASTCs in this 10-mile Service Area.

TABLE ONE
ASTCs/Hospitals within the 10-mile GSA

Facility/City/# of Rooms	Classification/ Distance	Utilization/State Standard?
Mercy Hospital & Medical Ctr, Chicago 11 ORs	.12	8,611hrs/No
*South Loop Endoscopy & Wellness Ctr., Chicago 2 Procedure	Single/.12	1,986hrs/Yes
University of Illinois Hospital, Chicago 21 ORs	2.8	45,228hrs/Yes
Rush University Medical Center, Chicago 33 ORs	2.9	64,994hrs/Yes
Grand Avenue Surgicenter, Chicago 3 ORs	Multi/2.9	585/No
Rush Surgicenter at Professional Bldg., Chicago 4 ORs	Multi/2.9	9,029hrs/Yes
River North Surgery Center, Chicago 4 ORs	Multi/3.1	3,366hrs/No

TABLE ONE
ASTCs/Hospitals within the 10-mile GSA

Facility/City/# of Rooms	Classification/ Distance	Utilization/State Standard?
John H. Stroger Hospital, Chicago 20 ORs	3.1	30,648hrs/Yes
Northwestern Memorial Hospital, Chicago 60 ORs	3.1	102,974hrs/Yes
Provident Hospital of Cook County, Chicago 10 ORs	3.2	3,028/No
Gold Coast Surgicenter, Chicago 4 ORs	Multi/3.4	4,340hrs/No
Surgery Ctr. At 900 Michigan Avenue, Chicago 5 ORs	Multi/3.5	8,235hrs/Yes
Mt. Sinai Hospital Medical Ctr., Chicago 10 ORs	3.8	11,084hrs/No
St. Anthony Hospital, Chicago 4 ORs	3.9	1,779hrs/No
Hyde Park Same Day Surgicenter, Chicago 1OR	Multi/3.9	1,652hrs/Yes
University of Chicago Medical Ctr., Chicago 36 ORs	4.3	92,035hrs/Yes
Presence St. Mary of Nazareth Hospital, Chicago 8ORs	4.8	8,727hrs/No
St. Bernard Hospital, Chicago 9 ORs	4.9	3,415hrs/No
Presence St. Elizabeth's Hospital, Chicago 5 ORs	5.2	265hrs/No
Norwegian-American Hospital, Chicago 5 ORs	5.3	2,026hrs/No
Presence St. Joseph Hospital, Chicago 13ORs	6	9,752hrs/No
Advocate Illinois Masonic Medical Ctr., Chicago 18 ORs	6.2	26,031hrs/Yes
Holy Cross Hospital, Chicago 6 ORs	6.5	3,213hrs/No
Western Diversey Surgical Center, Chicago 2 ORs	Multi/6.6	942hrs/No
Jackson Park Hospital, Chicago 6 ORs	6.6	1,566hrs/No
Fullerton Kimball Medical/Surgical Ctr., Chicago 2 ORs	Multi/7	1,091hrs/No
*Chicago Endoscopy Center, Chicago 1 Procedure	Single/7	359hrs/Yes
South Shore Hospital, Chicago 5 ORs	7.4	1,368hrs/No
Thorek Memorial Hospital, Chicago 26 ORs	7.4	1,083hrs/No
Loretto Hospital, Chicago 4 ORs	7.6	597hrs/No
Weiss Memorial Hospital, Chicago 9 ORs	8.2	8,204hrs/No
Fullerton Surgery Center, Chicago 3 ORs	Multi/8.3	1,053hrs/No
West Suburban Medical Ctr., Oak Park 8 ORs	8.4	7,020hrs/No
MacNeal Hospital, Berwyn 12 ORs	8.8	12,364hrs/No
Magna Surgical Ctr., Bedford Park 3 ORs	Multi/8.9	3,347hrs /Yes
Methodist Hospital of Chicago, Chicago 3 ORs	8.9	228hrs/No
Advocate Trinity Hospital, Chicago 6 ORs	9	5,532hrs/No
OSF Little Company of Mary Hospital, Evergreen Park 10 ORs	9.5	6,644hrs/No
Rush Oak Park Hospital, Oak Park 9 ORs	9.5	7,387hrs/No
Swedish Covenant Hospital, Chicago 10 ORs	9.5	16,821hrs/Yes

TABLE ONE
ASTCs/Hospitals within the 10-mile GSA

Facility/City/# of Rooms	Classification/ Distance	Utilization/State Standard?
Six Corners Same Day Surgery, Chicago 4 ORs	Multi/9.9	19.4hrs/No

Taken from 2018 ASTC Facility profiles
*Single Specialty Endoscopy

VI. Project Costs and Sources of Funds

The Applicants are funding the project with Cash totaling $335,746 and the Fair Market Value of the Lease in the amount of $1,800,000.

TABLE TWO
Project Costs and Sources of Funds

	Total	% of Total
Consulting & Other Fees	$150,000	7%
Movable or other Equipment (not in construction contracts	$185,746	8.6%
Fair Market Value of Leased Space or Equipment	$1,800,000	84.4%
Total Uses of Funds	$2,135,746	100.00%
Cash and Securities	$335,746	15.6%
Leases (fair market value)	$1,800,000	84.4%
Total Sources of Funds	$2,135,746	100.00%

VII. Section 1110.110 - Background of the Applicant, Purpose of Project, Safety Net Impact Statement, and Alternatives

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

To demonstrate compliance with this criterion the applicant must document the qualifications, background, character and financial resources to adequately provide a proper service for the community and demonstrate that the project promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of facilities or service.

The Applicants attest that Michigan Avenue Center for Health, Ltd. or Michigan Health Systems, Ltd. does not own or operate any licensed health care facility, nor have they been cited for any class A violations for the past three years before the filing of the Application for Permit. The Applicants are in Good Standing with the State of Illinois, and the facility is working on licensure/accreditation at the time of filing of this Application for Permit. The proposed project involves the establishment of an ASTC in an existing physician's office. Therefore, compliance with the Illinois Executive Order #2006-5, *"Construction Activities in Special Flood Hazard Area"*[1] and with the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420) is inapplicable to this project.[2]

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

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

The Applicant stated: "*The primary purpose of this project is to improve access to interventional radiology, obstetrics/gynecology, and pain management services to residents within the Applicant's geographic service area (GSA), particularly low-income and medically underserved communities. Based upon the most recent data available from the U.S. Census Bureau, approximately 25.3% of households in the zip code where the facility is located and 19.6% of the households within the Applicant's GSA live at or below the federal poverty level. Lack of health care access and education, and poverty creates health inequities, which are differences in population health status and health conditions arising from social and economic inequality. Despite expanded health insurance coverage through the Affordable Care Act, thousands of Chicagoans, particularly those living on the south and southwest sides that would be served by the proposed ASTC, lack insurance. Many uninsured and underinsured ignore early warning signs of disease, or juggle issues around their resources and must make decisions when to access health care services, based on their resources. The establishment of this ASTC will improve access to interventional radiology, obstetrics/gynecology, and pain management services to residents of the Applicant's GSA and will provide a high quality, low cost option to low-income residents living on the south and southwest sides of Chicago.*"

[1] Illinois Executive Order #2006-5 requires 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 Executive Order #2006-5.

[2] Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420) requires State Agencies or the recipients of its funds, permits or licenses shall consult with the Illinois Historic Preservation Agency to determine the documentation requirements necessary for identification and treatment of historic resources.

See pages 42-50 of the Application for Permit for complete discussion of the purpose of the project.

C) Criterion 1110.110 (c) – Safety Net Impact

All health care facilities, except for 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]

The Applicants stated: *"The establishment of the proposed ASTC will not impact the ability of other providers or other health care facilities to cross-subsidize safety net services. As set forth throughout this application, the purpose of this project is to improve access to essential safety net services to low income individuals, residents in medically underserved areas, and medically underserved populations."*

The proposed project involves the establishment of a new ASTC, and no historical data exists regarding charity care or Medicaid provided in the three years prior to submittal of this application. However, the applicants did provide projected charity care information for the ASTC during its first three years of operation (See Table Three)

TABLE THREE
Michigan Avenue Center for Health
Estimated Charity and Medicaid Information

	Year 1	Year 2	Year 3
Net Patient Revenue	$960,490	$999,294	$1,039,665
Amount of Charity Care/Cost of Charity Care	$50,552	$52,594	$54,719
Ratio of Charity Care to Net Patient Revenue	5.3%	5.3%	5.3%
Charity Care			
# of Patients	23	23	24
Charity Care Cost	$50,552	$52,594	$54,719
Medicaid			
# of Patients	135	137	140
Total Medicaid Revenue	$288,147	$299,788	$311,896
Ratio of Medicaid to Net Patient Revenue	30%	30%	30%

D) Criterion 1110.110(c) – 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 looked at three alternatives to the proposed project:

1) Maintain Status Quo/Do Nothing

The alternative of maintaining status quo would involve not establishing the ASTC and abandoning the project. The Applicants rejected this alternative, because it would not address the need to provide high-quality, low-cost option to low income, medically underserved communities within the Applicant's GSA. The Applicant's historical practice shows that approximately 30% of its payor mix is Medicaid recipients, 20% self-pay, and 5% charity care/indigent. Doing nothing would exacerbate the conditions of being a medically underserved community. No project costs were identified with this alternative.

2) Utilize Existing Facilities

The Applicants initially considered the utilization of other facilities but notes that no other ASTC currently provides interventional radiology in the GSA. The Applicants also note that only three of the five ASTCs in the service area that accept Medicaid patients or provide obstetrics/gynecology services, while four of the five ASTCs provide pain management services.

3) Establish New ASTC/Project as Proposed

The Applicants note the alternative as proposed is the most feasible and cost efficient, based on service need and the projected utilization of the facility, once completed. The pursuit of this alternative affords enables the Applicant to provide low-cost outpatient services in a health professional shortage area, to a population in an area designated as being medically underserved. Cost of this option: $$2,135,746

VIII. <u>Project Scope and Size, Utilization and Assurance</u>

A) Criterion 1110.120 (a) - Size of Project

To demonstrate compliance with this criterion the Applicant must document that 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).

There is a total of 2,438 GSF of clinical space for the proposed single-suite ASTC containing four recovery stations. The State Board Standard for a facility of this nature is 2,920 GSF. The State Board does not have a gross square footage standard for recovery stations located in an ASTC. The Applicants have met the requirements of this criterion.

B) Criterion 1110.120 (b) – Projected Utilization

To demonstrate compliance with this criterion the Applicant 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]

The Applicants provided 4 physician referrals letters outlined below. Referrals from Dr. Hungerford and Dr. Ventura totaling 538 OB/GYN referrals could not be accepted because they were not performed in a hospital or an existing ASTC.

TABLE FOUR
Physician Referral Data
Michigan Avenue Center for Health

			Historical Referrals/ Facility				
Physician	Specialty	Referrals	Michigan Avenue Center for Health	Gottlieb Hospital	Jackson Park Hospital	Access Health Center	Advantage Health Care
Dr. Paramjit Chopra M.D.	Inter. Radiologist						
Interventional Radiology		195		1,297	337		
Pain Management		5		12	12		
Dr. Sue Hungerford M.D.	OB/ GYN	107	113				
Dr. Vinod Goyal M.D.	OB/ GYN	93	6			20	285
Dr. Fermina Ventura M.D.	OB/ GYN	431				703	
Total		831	119	1,309	87	723	285

The Applicants are estimating to perform 195 interventional radiology procedures (3 hours each), 93 obstetrics/gynecology procedures (1.75 hours each), and 5 pain management procedures (1.25 hours each), based on the content of the accepted referrals. This projected utilization amounts to a total of 754 hours. The Applicants can justify the one operating room being requested.

C) Criterion 1110.120 (e) – Assurances

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

2) For shell space, the applicant shall submit the following:

A) Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at that time or the categories of service involved;

B) The anticipated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and

C) The estimated date when the shell space will be completed and placed into operation.

The Applicants provided the necessary attestation at page 83 of the Application for Permit

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT, PROJECT UTILIZATION AND ASSURANCE (77 ILAC 1110.120 (a) (b) (c))

IX. Non-Hospital Based Ambulatory Surgical Treatment Center Services

A) Criterion 1110.235 (c) (2) (A) (B) - 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.

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 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 Applicants provided 4 referral letters from area physicians, containing both historical and projected referral data. According to the historical referral data, approximately 30% of the historical referrals came from zip codes within the 10-mile GSA. (Application for Permit pages 102-116)

B) Criterion 1110.235 (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 applicant shall document the information required by subsection (c)(3) and either subsection (c)(3)(B) or (C):

The Geographical Service Area for a heath care facility located in Cook County is a 10-mile radius containing 52 zip codes, and a population totaling 2,439,795 (77 ILAC 1130.510 (d)). The Applicants supplied referral information attesting that only 30.2% of

the historical referrals (841 patients) came from within the 10-mile GSA. The Applicants have not successfully addressed this criterion.

TABLE FIVE Physicians Historical Referrals		
Physician	**Total Historical Referrals**	**Historic Referrals Within GSA (percentage*)**
Dr. Paramjit Chopra M.D.	1,658	498 (30%)
Dr. Sue Hungerford M.D.	113	77(68%)
Dr. Vinod Goyal M.D.	311	17(.5%)
Dr. Fermina Ventura M.D.	703	68(1%)
Total/Average	2,785	841/30.2%
*percentage of total historical referrals from within defined GSA		

The Applicants did not provide data affirming that over 50% of the historical referrals were from within the GSA, and a negative finding results for this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT 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 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 proposing one operating room and is estimating to provide 741 procedures two years after project completion. The Applicants project approximately 1,425.5 hours of utilization, which serves as justification for one operating room.

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 applicant shall document that at least one of the following conditions exists in the GSA:

A) There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project;

B) The other IDPH-licensed ASTC and hospital surgical/treatment rooms used for those ASTC services proposed by the project within the identified GSA are utilized at or above the utilization level specified in 77 Ill. Adm. Code 1100;

C) The ASTC services or specific types of procedures or operations that are components of an ASTC service are not currently available in the GSA or that existing underutilized services in the GSA have restrictive admission policies;

D) The proposed project is a cooperative venture sponsored by 2 or more persons, at least one of which operates an existing hospital. Documentation shall provide evidence that:

i) The existing hospital is currently providing outpatient services to the population of the subject GSA;

ii) The existing hospital has sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital and at the proposed ASTC, based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100;

iii) The existing hospital agrees not to increase its surgical/treatment room capacity until the proposed project's surgical/treatment rooms are operating at or above the utilization rate specified in 77 Ill. Adm. Code 1100 for a period of at least 12 consecutive months; and

iv) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

The Applicants are proposing to establish an ASTC containing 1 surgical suite and 4 recovery stations, offering outpatient interventional radiology, obstetrics/gynecology, and pain management. The Applicants met one of the four conditions identified above as there are no ASTCs in the GSA offering interventional radiology services. However, Board staff notes there are existing Hospitals and ASTCs in the 10-mile GSA, the other three surgical specialties are available in the GSA, there are underutilized facilities in the GSA, and the proposed project is not a cooperative venture.

In response to this criterion the Applicants stated:

"The Applicant seeks to improve access to much needed healthcare services to population groups that face various barriers to health care. The GSA of the proposed ASTC primarily encompasses the south and southwest sides of Chicago. Based on the most recent data available from the US Census Bureau, approximately 25% of the households in the zip code where the facility is located and 20% of the households in the GSA live at or below the federal poverty limit. **The Applicant also notes:** *"Less than 40% of the ASTCs in the Applicant's GSA serve Medicaid beneficiaries. Of the 5 ASTCs that serve Medicaid patients, four of the ASTCs served a combined total of 16 Medicaid patients in 2018. The Applicant projects that it will serve 135 Medicaid patients in year one of its operations. Of the ASTCs in the Applicant's GSA that provide some Medicaid care, only three ASTCs provide obstetrics/gynecology services, four provide pain management services, and none*

provide interventional radiology services. Accordingly, the proposed ASTC is needed to improve access to affordable health care services to residents of its GSA."

The Applicant's proposal to provide interventional radiology through its ASTC results in a positive finding for 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 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.

Maldistribution

There is a total of 553 operating/procedure rooms in the 10-mile GSA. There are approximately 2,439,795 residents (2018 population estimate-American Community Survey) in the 10-mile GSA. The ratio of operating/procedure rooms per 1,000 population is .1321 within this GSA [553 operating/procedure rooms ÷ (2,439,795/1,000) = .0105].

The State of Illinois population is 12,741,080 (2018 IDPH projected) and 2,739 operating procedure rooms (2018 data). The ratio of operating/procedure rooms per 1,000 population in the State of Illinois is .0105 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 .3177 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 13 ASTCs and 28 hospitals within the 10-mile GSA. (see Table One There are no other ASTCs in the 10-mile service area performing interventional radiology procedures on an outpatient basis.

The proposed ASTC will result in 1 OR being added to the 10-mile GSA. Of the 13 ASTCs identified in the planning area, 2 provide gastroenterology/endoscopy exclusively, and 7 are not operating in accordance with the State standard for operational capacity. Of the 28 hospitals located in the GSA, 21 are not meeting the State standard for operational capacity in its surgery departments. Based on these findings, the proposed project will result in an unnecessary duplication of service. The Applicants have not successfully addressed this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION (77 ILAC 1110.235(7))

F) Criterion 1110.235 (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 Applicants attest that Michigan Avenue Center for Health Ltd. will operate with sufficient staffing levels as required by applicable licensure. All physicians will be Board-certified, and all clinicians will maintain acceptable accreditation/licensure requirements (Application, pg. 78)

Note: The Joint Commission and the Accreditation Association for Ambulatory Health Care[3] does not define the specific qualifications or number of staff required for an ASTC. The Joint Commission generalizes that the staff be adequate in number with appropriate training and supervision. The Applicants have successfully addressed this criterion.

G) Criterion 1110.235 (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).

The Applicants provided the maximum charges for two years following completion of the project on pages 79-81 of the application, along with certification that these charges will not increase for two years following project completion. The Applicants have successfully addressed this criterion.

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

[3] Joint Commission on Accreditation of Healthcare Organizations. Standards for Ambulatory Care. Oakbrook Terrace, IL: Joint Commission Resources;

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 have provided the required attestation at page 83 of the Application for Permit that a peer review program exists or will be implemented by the facility that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for ASTC services, and if outcomes do not meet or exceed these standards, a quality improvement plan will be initiated.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION STAFFING, CHARGE COMMITMENT AND ASSURANCES (77 ILAC 1110.235 (c) (8) (9) (10))

X. 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 $1,800,000, and cash/securities in the amount of $335,746, classifying the project as being internally funded. The Applicants provided projected financial statements, a balance sheet forecast, and letters from Chase Bank, Chicago, attesting to the Applicants' financial viability, and their banking history (see project file and pages 85-89 of the Application for Permit).

The Applicants supplied a lease agreement with a lease term of eighteen years, and a base rate of $17.89 per GSF. The mentioned documents attest to the Applicants having adequate resources available to fund this project.

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 Applicant 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 applicant 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 SIX Historic/Projected Financial Ratios: The Advanced Surgical Institute, LLC				
	State Board Standard	**Year 1**	**Year 2**	**Year 3**
Current Ratio	1.5>	1.21	1.42	1.73
Net Margin Percentage	3.50%>	10%	17%	24%
Percent Debt to Total Capitalization	<80%	72%	50%	31%
Projected Debt Service Coverage	>1.75%	3.8%	6.1%	8.9%
Days Cash on Hand	>45 days	63	139	253
Cushion Ratio	>3	3.8	8.6	16.2

The Applicants are a newly formed entity (April 2019), and historical viability ratios do not exist. However, the Applicants supplied projected Viability Ratios that indicate all criteria in this section will be in excess of the State standard by the third year after project completion. The Applicants have successfully addressed this criterion. **The projected income and balance sheet are attached at the end of this report.**

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

XI. 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 a combination of cash/securities totaling $335,746, and leases (fair market value) totaling $1,800,000. There will be no financing sought for this project and this criterion is inapplicable (Application, pg. 94).

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 applicant shall document that the estimated project costs are reasonable.

The Applicants note the proposed project does not entail any new construction/modernization, and that most of the project cost is attributed to the fair market value of leased space or equipment. By statute only clinical costs (reviewable costs) are considered in evaluating the reasonableness of project costs. (20 ILCS 3960/3)

Consulting and Other Fees are $150,000. The State Board does not have a standard for these costs.

Moveable and Other Equipment not in Construction Contract is $185,746 for one room/suite. This cost ($185,746) appears reasonable when compared to the State Board Standard of $504,437 per room (2020 mid-point).

Staff Note: The Standard for ASTC moveable and other equipment not in construction contracts is calculated by taking the base year of CY 2008 cost standard of $353,802 per room and inflating by 3% to the midpoint of construction. For this project the midpoint is CY 2020.

CY	2018	2019	2020	2021	2022
Moveable Equipment Room Cost	$475,480	$489,745	$504,437	$519,570	$535,157

Fair Market Value of Leased Space or Equipment is $1,800,000. The State Board does not have a standard for these costs.

The Applicants have met the requirements of the State Board for all applicable criteria, and a positive finding result.

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 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 projected costs per procedure of $1,054.07 at the ASTC should this project be approved**.** 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 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 Applicants have provided the total effect of the project on capital costs per procedure of $134.95 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 SEVEN ASTCs within the 10-mile GSA						
Facility/City/# of Rooms	City	Distance	Rooms	Classification/	Hours	Met Standard?
*South Loop Endoscopy & Wellness Ctr.	Chicago	0.12	2 Procedure	Single	1,986	Yes
Grand Avenue Surgicenter	Chicago	2.9	3 Operating	Multi	585	No
Rush Surgicenter at Professional Bldg.	Chicago	2.9	4 Operating	Multi	9,029	Yes
River North Surgery Center	Chicago	3.1	4 Operating	Multi	3,366	No
Gold Coast Surgicenter	Chicago	3.4	4 Operating	Multi	4,340	No
Surgery Ctr. At 900 Michigan Avenue	Chicago	3.5	5 Operating	Multi	8,235	Yes
Hyde Park Same Day Surgicenter	Chicago	3.9	1 Operating	Multi	1,652	Yes
Western Diversey Surgical Center	Chicago	6.6	2 Operating	Multi	942	No
Fullerton Kimball Medical/Surgical Ctr.	Chicago	7	2 Operating	Multi	1,091	No
*Chicago Endoscopy Center	Chicago	7	1 Procedure	Single	359	Yes
Fullerton Surgery Center	Chicago	8.3	3 Operating	Multi	1,053	No
Magna Surgical Ctr.	Bedford Park	8.9	3 Operating	Multi	3,347	Yes
Six Corners Same Day Surgery	Chicago	9.9	4 Operating	Multi	19	No
Taken from 2018 ASTC Facility profiles			38		36,004	
*Single Specialty Endoscopy Information from 2018 ASTC Profiles						

TABLE EIGHT Hospitals within the 10-mile GSA					
Facility/City/# of Rooms	City	Distance	Rooms	Utilization/State Standard?	Met Standard
Mercy Hospital & Medical Ctr	Chicago	0.12	11 Operating	8,611	No
University of Illinois Hospital	Chicago	2.8	21 Operating	45,228	Yes
Rush University Medical Center	Chicago	2.9	33 Operating	64,994	Yes
John H. Stroger Hospital,	Chicago	3.1	20 Operating	30,648	Yes
Northwestern Memorial Hospital	Chicago	3.1	60 Operating	102,974	Yes
Provident Hospital of Cook County	Chicago	3.2	10 Operating	3,028	No
Mt. Sinai Hospital Medical Ctr.	Chicago	3.8	10 Operating	11,084	No
St. Anthony Hospital	Chicago	3.9	4 Operating	1,779	No
University of Chicago Medical Ctr.	Chicago	4.3	36 Operating	92,035	Yes
Presence St. Mary of Nazareth Hospital	Chicago	4.8	8 Operating	8,727	No
St. Bernard Hospital	Chicago	4.9	9 Operating	3,415	No
Presence St. Elizabeth's Hospital	Chicago	5.2	5 Operating	265	No
Norwegian-American Hospital	Chicago	5.3	5 Operating	2,026	No
Presence St. Joseph Hospital	Chicago	6	13 Operating	9,752	No
Advocate Illinois Masonic Medical Ctr	Chicago	6.2	18 Operating	26,031	Yes
Holy Cross Hospital	Chicago	6.5	6 Operating	3,213	No
Jackson Park Hospital	Chicago	6.6	6 Operating	1,566	No
Thorek Memorial Hospital	Chicago	7.4	26 Operating	1,083	No
Loretto Hospital	Chicago	7.6	4 Operating	597	No
Weiss Memorial Hospital	Chicago	8.2	9 Operating	8,204	No
West Suburban Medical Ctr	Oak Park	8.4	8 Operating	7,020	No
MacNeal Hospital	Berwyn	8.8	12 Operating	12,364	No
Methodist Hospital of Chicago	Chicago	8.9	3 Operating	228	No
Advocate Trinity Hospital	Chicago	9	6 Operating	5,532	No
OSF Little Company of Mary Medical Center	Evergreen Park	9.5	10 Operating	6,644	No
Rush Oak Park Hospital	Oak Park	9.5	9 Operating	7,387	No
Swedish Covenant Hospital	Chicago	9.5	10 Operating	16,821	Yes
Information from 2018 Hospital Profile					