

February 4, 2021

**VIA E-MAIL**

Courtney Avery  
Board Administrator  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62761

**Re: Response to Request for Additional Information- OrthoIllinois Surgery  
Center of Elgin, Project #20-040**

Dear Ms. Avery:

We represent OrthoIllinois Surgery Center of Elgin, LLC and OrthoIllinois in regards to Project #20-040 for the OrthoIllinois Surgery Center of Elgin. Please accept this letter as the applicant's response to a request for additional information that we received from Mike Constantino.

You requested additional information regarding the number of proposed referrals that would be coming from the different hospitals and ASTCs identified in the referral letters. Fortunately, the OrthoIllinois physicians have privileges at all of the hospitals within the area and this will allow their patients a wide variety of options of where to have their procedures performed. For a number of reasons explained in this letter we believe that the proposed facility will increase access to care for a number of our patients. We recognize that the ultimate decision on where to have a procedure performed will be decided by the patient, however, we have prepared the following estimate by physician (based on the referral letters included in the application):

- Dr. Rolando Izquierdo proposes to refer 263 patients to the proposed facility, we estimate that 185 would come referrals otherwise sent to Sherman Hospital, 5 from Northwestern Huntley, and 73 from Algonquin Road Surgery Center.
- Dr. Shawn Palmer proposes to refer 420 patients to the proposed facility, we estimate that 250 would come from referrals otherwise sent to Amita St. Joseph Elgin, 100 from Sherman Hospital, and 70 from Valley Ambulatory Surgery Center.

- Dr. Tom Stanley proposes to refer 320 patients to the proposed facility, we estimate that 160 would come referrals otherwise sent to Sherman Hospital, 25 from Northwestern Huntley, 50 from Amita St. Joseph Elgin, and 85 from Algonquin Road Surgery Center.
- Dr. Van Thiel proposes to refer 111 patients to the proposed facility, we estimate that 20 would come referrals otherwise sent to Sherman Hospital, 10 from Northwestern Huntley, and 81 from Algonquin Road Surgery Center.
- Dr. John Daniels proposes to refer 150 patients to the proposed facility, we estimate that 130 would come referrals otherwise sent to Northwestern Huntley, and 20 from Algonquin Road Surgery Center.
- Dr. Kelly Holtkamp proposes to refer 597 patients to the proposed facility, we estimate that 15 would come referrals otherwise sent to Sherman Hospital, 15 from Northwestern Huntley, and 567 from Algonquin Road Surgery Center.
- Dr. Jeffery Kazaglis proposes to refer 297 patients to the proposed facility, we estimate that 252 would come referrals otherwise sent to Sherman Hospital, 20 from Northwestern Huntley, and 25 from Amita St. Joseph Elgin.
- Dr. Frank Bohnenkamp proposes to refer 292 patients to the proposed facility, we estimate that 30 would come referrals otherwise sent to Sherman Hospital, 257 from Northwestern Huntley, and 5 from Algonquin Road Surgery Center.
- Dr. Kevin Carlile proposes to refer 30 patients to the proposed facility, we estimate that 5 would come referrals otherwise sent to Sherman Hospital, and 25 from Northwestern Huntley.
- Dr. Scott Mox proposes to refer 170 patients to the proposed facility, we estimate that 160 would come referrals otherwise sent to Sherman Hospital, 8 from Northwestern Huntley, and 2 from Amita St. Joseph Elgin.
- Dr. Nicholas Brissey proposes to refer 94 patients to the proposed facility, we estimate that 14 would come referrals otherwise sent to Sherman Hospital, and 80 from Northwestern Huntley.

	Sherman Hospital	Northwestern Huntley	Amita St. Joseph Elgin	Algonquin Surgery Center	Valley Ambulatory Surgery Center
Izquierdo	185	5	0	73	0
Palmer	100	0	250	0	70
Stanely	160	25	50	85	0
Van Thiel	20	10	0	81	0
Daniels	0	130	0	20	0
Holtkamp	15	15	0	567	0
Kazaglis	252	20	25	0	0
Bohnenkamp	30	257	0	5	0
Carlile	5	25	0	0	0
Mox	160	8	2	0	0
Brissey	14	80	0	0	0
Total	941	575	327	831	70

You also requested additional information related to Algonquin Surgery Center (“Algonquin”) declining OrthoIllinois physicians additional time in their operating rooms and not permitting certain procedures to be performed at the facility. Algonquin is designed as multi-specialty surgery center for outpatient procedures, and is approved by the state to perform procedures in wide range of categories of service. The eight categories that were approved are a clear indication that Algonquin was designed and is currently operated to support the performance of outpatient procedures that Northwestern Huntley and Sherman Hospital are willing to allow to be performed there. The concept and level of care to be provided at the proposed facility are significantly different than what is offered by Algonquin and what is available in the area. The proposed facility is designed as a highly specialized sub-specialty ambulatory surgical treatment center that will provide university quality care to address orthopedic and related conditions. That design will require significant investments in equipment and specialty training for the nurses who will work at the surgery center.

Unlike Algonquin, the proposed facility only proposes three categories of service. Additionally, and contrary to statements made in opposition to this project, and evidenced by the breakdown of where referrals will come from, the OrthoIllinois physicians will not completely cease to perform procedures at Algonquin or other area facilities. However, Drs. Stanley and Izquierdo in particular have been requesting for the last five years that Algonquin invest in the equipment necessary to perform certain spinal procedures and to negotiate with payors to allow for spinal procedure coverage at the facility. This has become an annual request that has continued to be denied by the Algonquin board which is effectively controlled by parent companies of Northwestern Huntley and Sherman Hospital who maintain a 51% ownership in Algonquin.

Dr. Van Thiel has also had difficulty getting patient cases scheduled at Algonquin based on their insurance payor. He has experienced the most issues with patients who have Medicaid, Tricare<sup>1</sup> and Aetna insurance. This has forced him to tell patients that because of their insurance they are required to have a simple outpatient procedure performed in a hospital which results in higher costs to the healthcare system and out of pocket costs for the patient.

Dr. Bohnenkamp has also had issues at Algonquin because he believes they do not have the capacity in sterilization or storage to accommodate high volume total joint patients. He has been directly told by Algonquin that they do not and are not planning to purchase or store a HANA table which prohibits him from performing any primary total hip arthroplasties. This limits the procedures he can perform at the facility to hemi and total knee replacements, and only if the Blue Cross Blue Shield contract in place at Algonquin approves a facility reimbursement. Dr. Bohnenkamp has also had issues with Algonquin because they will not allow him to schedule patients who have Medicare as their primary insurance payor or certain HMO or PPO plans and Medicaid. Almost 80-90% of his primary total joint patients and 100% of the hemi

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<sup>1</sup> Tricare, formerly known as the Civilian Health and Medical Program of the Uniformed Services, is a health care program of the United States Department of Defense Military Health System utilized by veterans of the armed services.

knee patients are currently performed as same day outpatient procedures but because of inefficiency at surgery centers in the area he performs them at three different hospitals. Dr. Bohnenkamp has also had issues at area hospitals because his patients often do not get adequate expedited care and these delays result in discharge delays and additional costs from patients being required to stay overnight for what was initially an approved outpatient surgery.

OrthoIllinois has also requested additional surgery time for other physicians in their practice, and the ability for those physicians to become owners in Algonquin. Each request has been denied by the Algonquin Board. The OrthoIllinois physician owners have been told by board members of Algonquin that hospital owners would prefer that certain outpatient procedures be performed in the hospital outpatient department. Furthermore, Algonquin has made clear that they are not willing to invest in the necessary equipment or move certain procedures which are reimbursed at a higher rate in a hospital outpatient surgical suite to a surgery center setting.

Staff also inquired about the assumptions used to prepare the financial information for the application and who prepared those statements. OrthoIllinois uses an outside firm to prepare the financial information submitted with the application. A letter from the firm detailing the assumptions used is enclosed with this letter.

Included with this letter are additional application pages required to add OrthoIllinois as an applicant to the application. Below you will also find the expected payor mix for the facility which was prepared by reviewing the insurance of the facility's prospective patient base during 2019 and 2021.

**Elgin Area Payer Mix**  
**Jan 1, 2019 - Jan 20, 2021**

<b>Payer Group</b>	<b>% of Total</b>
AETNA	4.0634%
ALLIANCE	0.0058%
ATTORNEYS	0.0052%
BCBS	34.7915%
CIGNA	3.3720%
COMMERCIAL	0.8288%
COVENTRY	0.0005%
ECOH	0.0004%
EMPLOYER	0.0026%
HFN	0.0325%
HUMANA	0.6133%
ILLINOIS DEPARTMENT OF PUBLIC AID	2.7448%
LIABILITY	0.2283%
MEDICARE	39.4904%
MERCY	0.0280%
OSF TRAUMA CONTRACTS	0.0655%
Patient	0.4542%
PHYSICIANS CARE NETWORK	0.0658%
SELF PAY	0.0027%
UNITED HEALTHCARE	8.1382%
WORKMANS COMP	5.0662%

Finally, you requested a list of the five procedure types that we expect to perform the highest number of procedures at the facility in the format below. As you can see below the savings to the healthcare system is clear. Total knee arthroplasty procedures performed in the proposed facility will result in a 26% savings for Medicare patients and 63% savings for Medicaid patients. Carpal Tunnel Surgery performed at the proposed facility will result in a 53% savings for Medicare patients and a 77% savings for Medicaid patients.

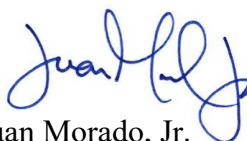
Procedure Code	Description	Medicare Reimbursement	Medicaid Reimbursement	HOPD Reimbursement
27447	Total Knee Arthroplasty	\$8,875	\$4,467	\$11,900
64721	Carpal Tunnel Surgery	\$818	\$412	\$1,719
29827	Rotator Cuff Repair	\$2,978	\$1,499	\$5,981
22551	Anterior Cervical Fusion with Interbody Fusion	\$8,657	\$4,357	\$11,900
29881	Knee Arthroscopy, Meniscectomy, Medial OR Lateral	\$1,350	\$680	\$2,737

The healthcare delivery system for years has been driving an increasingly large number of orthopedic and related surgeries out of the hospital and into the surgery center setting. This started with Medicare changing the way they compensate hospitals and doctors for doing certain procedures in specific settings, and now private insurance companies are continuing to drive these procedures into surgery centers with their policies. Enclosed is a letter from Blue Cross Blue Shield that was received by OrthoIllinois indicating that they were going to increase the amount of reimbursement to their providers for performing outpatient procedures in a surgery center setting by 15% and decrease the amount of reimbursement to providers by 15% if those same procedures are performed in a hospital outpatient setting.

If you have any questions, please contact me at 312-212-4967 or at [jmorado@beneschlaw.com](mailto:jmorado@beneschlaw.com). Thank you.

Very truly yours,

BENESCH, FRIEDLANDER,  
COPLAN & ARONOFF LLP



Juan Morado, Jr.

Enclosure



# MDS Advisor

Michael D. Smith, CPA

February 3, 2021

Attorney Juan Morado, Jr. Partner  
Benesch Healthcare+  
71 South Wacker Drive, Suite 1600  
Chicago, IL 60606-4637

Re: Orthollinois Surgery Center Elgin, LLC

Dear Attorney Morado:

Pursuant to your request, I am providing certain assumptions related to the Projected Financial Statements of Orthollinois Surgery Center Elgin, LLC in conjunction with their CON application. They are as follows:

Projected Statements of Income:

- 1) The revenues were estimated based upon the number of referrals to the proposed ASTC by the physician/owners of Orthollinois and the related mix of cases by the sub-specialty trained orthopods. As an additional analysis, the case numbers and related revenues were compared to the ASTC in Rockford, IL that is owned by individual Rockford owners affiliated with Orthollinois and were determined to be reasonable.
- 2) Major expenses of employment and clinical supplies were estimated based upon a prorata analysis of the Rockford ASTC as related to case and revenue assumptions.
- 3) Depreciation was based upon the estimated economic life of the respective assets.
- 4) Management fees were based upon a contractual arrangement in place for the ASTC.
- 5) All other expenses were based upon similar assumptions and actual comparative analysis with the Rockford ASTC.

Projected Balance Sheets:

- 1) Projected cash is based upon the results of operations as modified by the changes in working capital components, capital contributions, and short-term lines of credit with Illinois Bank & Trust and Orthollinois.
- 2) Accounts receivable are based upon an average 45-day collection period.
- 3) Property and equipment costs are projected using the architect's estimates of projected square footage rates, size, and layout of the project.
- 4) Illinois Bank & Trust has committed to the long-term financing of the real estate project at commensurate market rates and terms.

Please feel free to contact me with any additional questions or requisite information.

Respectfully,

Michael D. Smith, CPA

**CERTIFICATION**

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

**This Application is filed on the behalf of Rockford Orthopedic Associates, LTD. d/b/a Orthollinois**

**in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.**

*Ken Schreiner*  
SIGNATURE

Ken SCHREINER  
PRINTED NAME

CEO  
PRINTED TITLE

*Eric Schwartz*  
SIGNATURE

Eric Schwartz  
PRINTED NAME

Vice President  
PRINTED TITLE

Notarization:  
Subscribed and sworn to before me  
this 2nd day of February

*Kathleen M Shukis*  
Signature of Notary

Seal



Notarization:  
Subscribed and sworn to before me  
this 2nd day of February

*Kathleen M Shukis*  
Signature of Notary

Seal



\*Insert the EXACT legal name of the applicant

December 30, 2020

Courtney Avery  
Board Administrator  
Illinois Health Facilities and Services Review Board  
525 W. Jefferson Street, 2nd Floor  
Springfield, IL 62761

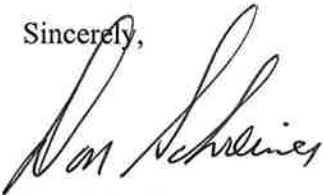
Dear Ms. Avery:

As representative of Rockford Orthopedic Associates, LTD. d/b/a OrthoIllinois, I, Don Schreiner give authorization to the Health Facilities and Services Review Board and the Illinois Department of Public Health (IDPH) to access documents necessary to verify the information submitted including, but not limited to: official records of IDPH or other state agencies, the licensing or certification records of other states, and the records of nationally recognized accreditation organizations.

I further verify that, OrthoIllinois owns no other healthcare facilities and has had no adverse action in the past three (3) years.

I hereby certify this is true and based upon my personal knowledge under penalty of perjury and in accordance with 735 ILCS 5/1-109.

Sincerely,



Don Schreiner  
CEO  
OrthoIllinois





**BlueCross BlueShield  
of Illinois**

October 8, 2020

Re: Surgical Site of Service Strategy Program – Effective Jan. 1, 2021

Dear Provider:

At Blue Cross and Blue Shield of Illinois (BCBSIL), our priority is to provide our members with access to sustainable, member-centered health care. To do this, we seek to align with providers who share our commitment to improving quality of care while managing medical costs across the health care system.

Effective Jan. 1, 2021, BCBSIL is implementing a surgical site of service program to help members utilize the most appropriate and efficient site of care. This new program aims to shift eligible surgeries from inpatient and outpatient hospital settings to ASCs and office settings. You are receiving this communication as you have been identified through claims experience as a provider performing one or more of the surgeries eligible for the site of service differential.

Under this program, providers will receive a 15% *increase* in current reimbursement when eligible surgeries are performed in an ASC or office setting. Consequently, providers will receive a 15% *decrease* in current reimbursement when eligible surgeries are performed in a hospital setting. Surgical code eligibility is based on the combination of CMS guidelines and BCBSIL Medical Director review. Program monitoring will occur annually to allow for adjustments to the eligible procedure code list. For your convenience, on the opposite side of this letter, we have added a list of CPT codes that are eligible for the surgical site of service strategy program. Please note this list may change Jan. 1, 2021, based on additions and deletions of CPT and HCPCS codes.

The fee schedule update reflecting these modified rates will be available after Jan. 1, 2021. Please follow the instructions under "fee schedule request" at: <https://www.bcbsil.com/provider/education/forms.html>. It is important to note that in pursuant to the terms of your participation agreement with BCBSIL, the fee schedules are confidential, trade secret, and proprietary to BCBSIL, and therefore should not be shared in any format, with third parties.

If you have any questions regarding these changes, please contact your Provider Network Consultant. We appreciate your participation in our network of providers.

Sincerely,

Network Management  
BlueCross and BlueShield of Illinois