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July 1, 2021

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

Re: Requested Information- OrthoIllinois Surgery Center of Elgin, LLC-Project #20-040

Dear Ms. Avery:

I am writing on behalf of OrthoIllinois Surgery Center of Elgin, LLC, and Rockford Orthopedic Associates, LTD. d/b/a OrthoIllinois ("OrthoIllinois") in regards to its Certificate of Need application to establish a multi-specialty Ambulatory Surgical Treatment Center ("ASTC") in Elgin, Illinois. I am writing to provide requested information to the Illinois Health Facilities and Service Review Board ("HFSRB").

Today a letter was submitted to the Board by Counsel for Advocate Aurora Health ("Advocate") presenting the claim that required information has not been submitted for this application. This statement is patently and provably false and reflects the continued efforts of Advocate to expend time and resources opposing this project rather than increasing access to care in the manner in which it represented to this Board that it would and that are necessary. This Board is well aware that its role is not to protect the market share of individual healthcare facilities as the opposition proposes.[1] Lacking a sufficient substantive basis to oppose this project, Advocate seems to have resorted to baseless efforts to delay the project. Since this matter is of the utmost importance to the patient population OrthoIllinois and its physicians are committed to caring for we will, by this correspondence, verify where this information has already been provided, reproduce certain information to avoid any question or confusion, and highlight where the information being sought is simply not required.

Enclosed with this letter are a copy of the OrthoIllinois Certificate of Good Standing submitted on March 9, 2021, and financial viability ratios which were submitted on March 29, 2021. With regards to the claim that there was no corporate structure provided, that too is patently false. OrthoIllinois is a standalone corporation. It has no parent companies. If this is,

[1] Provena Health v. Illinois Health Facilities Planning Bd., 886 N.E.2d 1054, 1061, 1067. (Ill. App. Ct. 2008).

in actuality, an effort to get the individual physician owners identified as part of this process, that is not nor has it ever been required especially, as here, where there is no single owner who possess an interest in excess of 5%. However, should the HFSRB determine this information to be necessary or relevant (in contravention of its established practice) we have the information readily available and can provide another graphic to identify the 24 physician owners who each possess a 4.17% interest in OrthoIllinois. We would also note that OrthoIllinois does not own any other surgery centers. The surgery center referred to during our presentation and by Advocate's Counsel in Rockford is owned by Rockford Orthopedic Surgery Center, LLC, not OrthoIllinois. That entity which is not an Applicant is owned in part by OSF Healthcare, Don Schreiner (CEO of OrthoIllinois) and another corporation whose shareholders (no individual shareholder owns 5% of the corporation's shares) are made up of various physicians associated with OrthoIllinois.

The Board also has OrthoIllinois' financial statements as noted on page 24 of your state board staff report and this matter was extensively addressed during the last presentation. We have indicated that this information is confidential and proprietary and we do not object to that information being shared with the Board which it already has received. While the Applicants did not earn $351 million in net revenue in the first three months of this calendar year like Advocate[2] has, OrthoIllinois is fiscally sound, and has the requisite financial viability and commitment to fund this project. This is reflected in their financial viability ratios, financial statements, and loan commitments that the Board already has in its possession and which were discussed during our last presentation.

We have also already provided the proposed payor mix for the facility in our February letter to the Board, and any allegation that we have not provided that information to date is a further attempt by the opposition to fabricate issues for concern where there are none to be found. To summarize that information for you please see the breakdown of the payor mix for the proposed facility which is based on the historical patient mix treated by OrthoIllinois in the geographic service area:

OrthoIllinois Surgery Center of Elgin Proposed Payor Mix Summary

Medicare	39.5%
Medicaid	2.75%
Private Pay	.45%
Private Insurance	57.3%

Comparatively, the proposed payor mix for this facility highlights just how much this facility will increase access to care for patients who are currently unable to receive care in other area surgery centers because of their insurance type. The proposed facility will have a payor mix that will serve almost double the number of Medicare patients than the Advocate owned Algonquin

[2] https://www.beckershospitalreview.com/finance/advocate-aurora-sees-net-income-grow-to-351m-gets-no-relief-aid-in-q1.html

Road Surgery Center[3], and will serve **15 times** more Medicaid patients as well.[4] The opposition is correct in that there is no table related to Rockford Orthopedic Surgery Center included with the application. That is because as was mentioned above, additional information regarding this entity is not required since Rockford Orthopedic Surgery center is not owned by any of the Applicants to this application.

The Applicants have also provided information in a June 9, 2021 letter to the Board regarding the uncompensated care OrthoIllinois has provided. OrthoIllinois attested to providing $5.5 million in uncompensated care in 2019, and $5 million in 2020. As of July 1, 2021 the OrthoIllinois practice has provided over $2.5 million in uncompensated care to patients. The proposed facility will have sufficient flexibility to take on charity care cases as they present themselves, however there is there is no anticipated charity case expense built into the facility's proforma. It is important to note that the state average for charity care expense as percentage of total net revenue in surgery centers is 0.23%. It is ironic that Advocate would raise this question, given their annual survey submissions for calendar year 2019 to this Board reflect that all surgery centers where Advocate maintains an ownership interest have provided zero charity care[5]. At the OrthoIllinois Surgery Center of Elgin, **no one will be denied services because of their inability to pay.**

Opponents of this project continue to question OrthoIllinois' commitment to safety net care in the GSA. However, the physician leaders of OrthoIllinois stated before the Board, that OrthoIllinois physicians are the actual front line providers of safety net care in the GSA, and they will continue to be at this facility and in the hospitals if this project is approved. While there is no process for the inquiry of Advocate to explain its behavior in opposing this project, we remain puzzled as to why they are continuing to spend resources opposing this project rather than meeting their own obligations to the community and this Board.

We look forward to re-appearing before the Board to discuss how this project will increase access to care for the GSA and lower costs for patients while improving outcomes. If you have any questions or need any additional information regarding the project, please feel free to contact me via phone at 312-212-4967 or via email at JMorado@beneschlaw.com

Very truly yours,

BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LLP

Juan Morado Jr.

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[3] According to the 2019 annual survey submitted to the Board, Algonquin Road Surgery Center Medicare accounted for 21% of total patients.

[4] According to the 2019 annual survey submitted to the Board, Algonquin Road Surgery Center Medicaid accounted for .0014% of total patients.

[5] https://www2.illinois.gov/sites/hfsrb/InventoriesData/FacilityProfiles/Documents/ASTC%20Facility%20Profiles%202019.pdf

ATTACHMENT 1
Rockford Orthopedic Associates Ltd. d/b/a OrthoIllinois Certificate of Good Standing

File Number 4963-992-9

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

ROCKFORD ORTHOPEDIC ASSOCIATES, LTD., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 23, 1970, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE BUSINESS CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 23RD *day of* JULY *A.D.* 2020 .

Authentication #: 2020501164 verifiable until 07/23/2021
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

OrthoIllinois (OI)
Projected Viability Financial Ratios

	Year 1	Year 2	Year 3
Current Ratio (a)/(b):			
(a) Current Assets	22,515,000	24,428,000	25,283,000
(b) Current Liabilities	11,804,000	12,750,000	13,132,000
Ratio	1.91	1.92	1.93
State Target	> 1.5	> 1.5	> 1.5
Net Margin Percentage (d)/(c):			
(c) Net Operating Revenues	101,000,000	106,050,000	109,231,000
(d) Net Income	4,000,000	4,000,000	4,000,000
Ratio	3.96%	3.77%	3.66%
State Target	> 3.5%	> 3.5%	> 3.5%
*Long Term Debt to Capitalization (f)/[(f)+(g)]*100:*			
(f) Long Term Debt	4,800,000	3,585,000	2,345,000
(g) Net Assets	20,677,000	24,677,000	28,677,000
Ratio	18.84	12.68	7.56
State Target	< 80	< 80	< 80
Projected Debt Service Coverage [(e)+(h)+(i)]/[(i)+(j)]:			
(e) Net Income (after year end bonus distributions)	500,000	500,000	500,000
(h) Depreciation	2,300,000	2,200,000	2,100,000
(i) Interest Expense	210,000	190,000	165,000
(j) Principal Payments	1,195,000	1,215,000	1,240,000
Ratio	2.14	2.06	1.97
State Target	> 1.75	> 1.75	> 1.75
Days Cash on Hand (k)/[(l)-(h)]/365:			
(k) Cash	12,000,000	12,750,000	13,350,000
(l) Operating Expenses	97,000,000	102,050,000	105,231,000
(h) Depreciation	2,300,000	2,200,000	2,100,000
Ratio	46.25	46.61	47.25
State Target	> 45	> 45	> 45
Cushion Ratio (k)/[(i)+(j))]:			
(k) Cash	12,000,000	12,750,000	13,350,000
(i) Interest Expense	210,000	190,000	165,000
(j) Principal Payments	1,195,000	1,215,000	1,240,000
Ratio	8.54	9.07	9.50
State Target	> 3	> 3	> 3