



<b>DOCKET NO:</b> NA	<b>BOARD MEETING:</b> NA	<b>PROJECT NO:</b> 22-021	<b>PROJECT COST:</b>  Original: \$56,367,840
<b>FACILITY NAME:</b> DuPage Medical Group MOB - Schaumburg		<b>CITY:</b> Schaumburg	
<b>TYPE OF PROJECT:</b> Non-substantive			<b>HSA:</b> VII

**DESCRIPTION:** The Applicants (DuPage Medical Group, Ltd. and DMG Practice Management Solutions LLC) are requesting to establish a Medical Office Building in former retail space (shopping center) located at 1325 Meacham Road, Schaumburg, Illinois. The total project cost is \$56,367,840 and the expected completion date is February 29, 2024.

The purpose of the Illinois Health Facilities Planning Act is to establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs. 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 Certificate of Need process required under this Act is designed to restrain rising health care costs by preventing unnecessary construction or modification of health care facilities. The Board must assure that the establishment, construction, or modification of a health care facility or the acquisition of major medical equipment is consistent with the public interest and that the proposed project is consistent with the orderly and economic development or acquisition of those facilities and equipment and is in accord with the standards, criteria, or plans of need adopted and approved by the Board. Board decisions regarding the construction of health care facilities must consider capacity, quality, value, and equity.

**Information received by the State Board regarding this project can be found at:**

<https://www2.illinois.gov/sites/hfsrb/Projects/Pages/22-021.aspx>

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- The Applicants (DuPage Medical Group, Ltd. and DMG Practice Management Solutions LLC) are requesting to establish a Medical Office Building in former retail space located at 1325 Meacham Road, Schaumburg, Illinois. The total project cost is \$56,367,840 and the expected completion date is February 29, 2024.
- DuPage Medical Group, Ltd owns three ambulatory surgery centers in Illinois: DMG Pain Management Surgery Center, LLC., Chicago Prostate Cancer Surgery Center, LLC d/b/a DuPage Medical Group Surgery Center-Westmont and DMG Surgical Center, LLC.
- According to the Applicants the proposed project will help DuPage Medical Group, Ltd. serve its growing patient base in Schaumburg by offering the following services: Allergy, Cardiology, Chiropractic, Diabetic Education, Endocrinology, Endoscopy, Family Practice, Gastroenterology, General Surgery, Imaging, Immediate Care, Infusion, Internal Medicine, Laboratory, Maternal Fetal Medicine, Neurology, OBGYN, Oncology, Ophthalmology, Orthopedics, Pain Management, Pediatrics, Physiatry, Podiatry, Physical and Occupational Therapy, Radiation Oncology, Rheumatology, Vascular Surgery.
- The Applicants propose to lease 100,000 GSF of space in space of the former Woodfield Village Green Mall that was previously used for retail to accommodate 20 physician offices, 22 treatment rooms and 125 exam rooms. The space will also include a linear accelerator, a stimulator, 2 general radiology units, 2 ultrasound units, 1CT unit, 1 MRI unit, 1 nuclear medicine unit, blood lab and 14 infusion stations.

### **WHY THE PROJECT IS BEFORE THE STATE BOARD:**

- This project is before the State Board because the project exceeds the capital expenditure minimum of \$15,723,786, and houses medical equipment used in the direct clinical diagnosis or treatment of patients.

### **PURPOSE OF THE PROJECT:**

The Applicants assert the proposed lease will provide space for consolidation and growth of outpatient services and will provide access and improve convenience for outpatients, families, and medical professionals. The Applicants state the proposed space will be designed for easy access to outpatient care and continuity of service in a setting that is most cost effective for patients' various primary and diagnostic health needs. The Applicants believe the leasing of this space will be responsive to the community's immediate health needs with flexibility for longer-term service. According to Applicants, there is no good alternative to the proposed project that is both more effective and less costly. The Applicants submit the current patient base is the focus of the proposed medical office building and the new physician offices will be available for the local community with less travel requirements for the current patients.

### **PUBLIC HEARING/COMMENT:**

- No public hearing was requested, and no letters of support or opposition have been received by the State Board.

**CONCLUSION:**

The State Board has not developed criteria and standards applicable for the construction/leasing of Medical Offices. The project is in substantial conformance with the State Board's purpose to improve the health of Illinois residents, to increase the accessibility, acceptability, continuity, and quality of health services, to prevent unnecessary duplication of services, and to provide cost containment.

- The Applicants have addressed 14 criteria and have successfully addressed them all.



**DuPage Medical Group – Schaumburg Medical Office Building  
STATE BOARD STAFF REPORT  
Project #22-021**

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	DuPage Medical Group, Ltd. and DMG Practice Management Solutions LLC
Facility Name	DuPage Medical Group – Schaumburg Medical Office Building
Location	1325 Meacham Road, Schaumburg, Illinois
Permit Holder	DuPage Medical Group, Ltd. and DMG Practice Management Solutions LLC
Operating Entity	DuPage Medical Group, Ltd. and DMG Practice Management Solutions LLC.
Owner of Site	Shorewood Development Group
Application Received	May 20, 2022
Application Deemed Complete	June 21, 2022
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes
Expedited Review?	No

**I. Project Description**

The Applicants (DuPage Medical Group, Ltd. and DMG Practice Management Solutions LLC) are requesting to establish a Medical Office Building in former retail space located at 1325 Meacham Road, Schaumburg, Illinois. The total project cost is \$56,367,840 and the expected completion date is February 29, 2024.

**II. Summary of Findings**

- A. State Board Staff finds the proposed project appears to be in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project to be in conformance with the provisions of 77 ILAC 1120 (Part 1120).

**III. General Information**

The Applicants are DuPage Medical Group, Ltd. and DMG Practice Management Solutions LLC. DuPage Medical Group, Ltd. changed its name to Duly Health and Care in September of 2021. Duly has more than 900 doctors, and more than 150 locations. By the end of 2021, the Medical Group has added about 400 physicians to the 700 it already had previously. The expansion follows a \$1.45 billion investment in the medical group's management company (DMG Practice Management Solutions LLC) from private equity firm Ares Management<sup>1</sup> in 2017.

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<sup>1</sup> Ares Management Corporation is an American global alternative investment manager operating in the credit, private equity and real estate markets. The company was founded in 1997 and is headquartered in Los Angeles, California, with additional offices across North America, Europe, and Asia. As of September 2021, Ares Management

The Applicants stated no physician practices will be consolidated at the Schaumburg medical office building. Shorewood Development Group, LLC, an Illinois limited liability company, is under contract to purchase the real property the site of a former shopping center- Woodfield Village Green Mall.

### **State Board Staff Notes**

A study done at the Massachusetts Institute of Technology outlining the reasons for the increase in medical office building construction stated the following: *“The US population is aging. The population of elderly citizens has been increasing in number and becoming a larger percentage. The current 45-64 age group uses most of the medical resources because of its share of population and the use of medical services, the age group of over 65 has the most intense use for medical services. The current large 45-64 age group will enter the over 65 age group, and the medical services need demanded by both larger elderly population and higher density will grow exponentially. The demand of medical services due to aging is not only increasing but also becoming more concentrated on out-patient services. Hospitals and health care systems have incorporated such trends into their practices and expanded out-patient services. Changes in medical service delivery affect the supply of outpatient services in addition to the increasing demand driven by demographic shifts. Such changes include increasing availability of treatments and procedures facilitated by technological advancement, and the decreasing carrying cost encouraged by regulatory incentives. For the same reason, more physician practice groups were able to start or expand their practices and introduce more supply in out-patient services.”*

*“Commercial influences such as capital market and development mechanism also have their presences in the medical office building market, as it is still belonging to the broader real estate market. More investment activities are involved with the health care real estate in the recent years due to more liquidity, more stable tenants, and strong medical service demand. Many expect the market for medical office building will continue to grow because of the upcoming outpatient service demand. Discussions such as hospitals using medical office buildings as strategies to manage costs, retain talents and improve balances sheets are also explicit. These influences of market expectation and development preferences represented by trends in the models predict how much medical office building will grow in addition to the growth generated by health care practices.”*

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Corporation's global platform had approximately \$295 billion of assets under management and 1,500 employees operating across North America, Europe, Asia Pacific, and the Middle East. (Source: Ares Management Corporation website)

#### **IV. Project Uses and Sources of Funds**

The Applicants are funding this project with cash in the amount of \$6,990,00 and the FMV of Building and Equipment of \$49,377,840. According to the Applicants the Fair Market Value of the space was determined by the assessed valuation completed by the Cook County Assessor in 2021. Accordingly, the assessed value is based on the property's history, tenants, business, and exterior characteristics as well as estimated income and expenses generated by the property and market-level vacancies. Based on these factors, the Cook County Assessor determined the estimated market value of the property to be \$6,367,840. The Fair Market Value of the Equipment was based on a combination recent purchase history (plus 10% due to increased costs of goods) and quotes that are currently under negotiation.

<b>TABLE ONE</b>	
<b>Project Uses and Sources of Funds</b>	
Modernization Contracts	\$20,000,000
Contingencies	\$2,720,000
Architectural/Engineering Fees	\$1,430,000
Consulting and Other Fees	\$850,000
Equipment General	\$1,440,000
IT/Telecom	\$3,200,000
FMV of Building	\$6,367,840
FMV of Equipment	
Furniture	\$1,800,000
Imaging Equipment	\$10,092,000
Medical Equipment	\$8,468,000
<b>TOTAL USES OF FUNDS</b>	<b>\$56,367,840</b>
Cash	\$6,990,000
FMV of Building & Equipment	\$49,377,840
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$56,367,840</b>

#### **V. Background of the Applicants, Purpose of the Project, Safety Net Impact Statement, Alternatives to the Proposed Project**

The four criteria below are informational only.

- A) Criterion 1110.110 (a) - Background of the Applicants
- B) Criterion 1110.110 (b) – Purpose of the Project
- C) Criterion 1110.110 (c) – Safety Net Impact Statement
- D) Criterion 1110.110 (d) – Alternatives to the Proposed Project

**A) Background of the Applicants**

DuPage Medical Group is an Illinois Corporation in Good Standing with the Illinois Secretary of State. DMG Practice Management Solutions LLC is a Delaware corporation in Good Standing with the State of Delaware. The Applicants have attested they are in compliance and in good standing with all federal and state regulations including the Illinois State Agency Historic Resources Preservation Act and Executive Order #2006-5. In addition, the Applicants have attested that they have not had any adverse actions as defined by the State Board in the past 3 years of filing this Application for Permit.

**B) Purpose of the Project**

The Applicants state the purpose of the Project is to ensure continued access to quality, coordinated, efficient and cost-effective services for the residents of Schaumburg and surrounding areas. According to the Applicants the Project will provide office space for physicians and midlevel providers to ensure the availability of health care services as care shifts to the outpatient setting. Access to these services is essential to the overall well-being of the communities DMG serves, particularly considering the aging population and the co-morbidities associate with the shifting age cohort. There are 29-zip codes in the 10-mile GSA and approximately 880,000 residents. DMG Medical Group has approximately 97,000 patients in this 10-mile GSA.

<b>TABLE TWO</b>							
Population and Patients by Zip Code and City in the 10-mile GSA							
Zip Code	City	Population	Patients	Zip Code	City	Population	Patients
60004	Arlington Heights	50,639	1,180	60107	Streamwood	39,894	5,553
60005	Arlington Heights	30,079	935	60108	Bloomington	22,494	9,196
60007	Elk Grove Village	33,161	4,160	60133	Hanover Park	38,113	6,482
60008	Rolling Meadows	21,663	814	60139	Glendale Heights	34,160	9,256
60016	Des Plaines	59,291	695	60143	Itasca	11,222	2,524
60018	Des Plaines	30,037	399	60148	Lombard	52,588	23,112
60056	Mount Prospect	54,524	1,065	60157	Medinah	2,970	691
60062	Northbrook	40,686	208	60169	Hoffman Estates	33,373	6,311
60067	Palatine	37,840	1,908	60172	Roselle	24,371	6,027
60070	Prospect Heights	15,908	154	60173	Schaumburg	12,610	893
60074	Palatine	39,217	853	60191	Wood Dale	14,021	1,973
60089	Buffalo Grove	41,014	522	60192	Hoffman Estates	15,467	2,132
60090	Wheeling	38,553	326	60193	Schaumburg	39,646	4,895
60106	Bensenville	20,341	1,963	60194	Schaumburg	19,525	2,321
				60195	Schaumburg	5,020	442

**C) Safety Net Impact Statement**

This is a non-substantive project. A safety net impact statement is not required.

**D) Alternatives to the Proposed Project**

According to the Applicants there is no alternative to the proposed project that is both more effective and less costly. The Applicants submit the current patient base is the focus of

improvement; the existing oncology infusion locations are consolidating in the same service area; and the new physician offices will be available for the local community with less travel requirements for current patients. The Applicants state this project involves consolidation to accommodate growth in an existing oncology health service and will provide time-share locations for efficient utilization of space by established physicians who are serving patients in the area. The Applicants assert the additional building will improve patient access with clear identification of service locations from the exterior of the building, and convenient parking and attention to patient flow will increase clinical efficiency and enhance the level of patient satisfaction. The Applicants state the primary goal of this project is to offer the residents of the area served by the DuPage Medical Group an effective state-of-the-art Medical Office Building with space that can be flexibly responsive to the community's immediate and long-term health care needs.

## **VI. Size of the Project, Projected Utilization, Assurance**

- A) Criterion 1110.120 (a) - Size of the Project
- B) Criterion 1110.120 (b) – Projected Utilization
- C) Criterion 1110.120 (c) - Assurances

### **A) Size of the Project**

#### **1. Diagnostic Imaging**

The proposed project includes space for diagnostic imaging services. The Imaging Center will have the following of diagnostic imaging equipment:

- 2-X-Ray Machines
- 2 Ultrasound units
- 1 MRI
- 1 CT
- 1 Mammography units
- 1 Linear Accelerator
- 1 Stimulator

<b>TABLE THREE</b>				
Diagnostic Imaging and Radiation Oncology				
	Units	State Standard	Proposed	Differences
Radiology	2	2,600	1,080	-1,520
MRI	1	1,800	1,335	-465
CT	1	1,800	968	-833
Mammography	1	900	480	-420
Ultrasound	2	1,800	480	-1,320
Nuclear Medicine	1	1,600	1,005	-595
Linear Accelerator	1	2,400	1,560	-840
Simulator	1	1,800	1,395	-405



## **B) Projected Utilization**

### **1. Diagnostic Imaging**

The Applicant is proposing:

• 1 MRI, • 1 CT, • 1 Mammography units, • 2 X-Ray units • 2 Ultrasounds.

For the one MRI unit, the one CT unit, the 1 mammography unit and the 1 nuclear medicine unit the number of units are justified based upon one procedure<sup>2</sup>. For X-Ray and Ultrasound, the Applicant has met the State Board utilization requirements.

<b>TABLE FOUR</b> Projected Utilization			
	Units	State Standard	FY 26
MRI	1	2,500 proc	3,158
CT	1	7,000 visits	3,929
Mammography	1	5,000 visits	3,731
X-Ray	2	8,000 proc.	15,463
Ultrasound	2	3,100 visits	4,150
Linear Accelerator	1	6,375 Treat.	7,500
Stimulator	1	NA	NA

## **VII. Clinical Service Areas Other Than Categories of Service**

These criteria are applicable only to those projects or components of projects (including major medical equipment), concerning Clinical Service Areas (CSAs) that are not Categories of Service, but for which utilization standards are listed in Appendix B.

### **A) Service to Planning Area Residents**

### **B) Service Demand**

### **C) Impact of the Proposed Project on Other Area Providers**

These criteria have been addressed at Purpose of the Project, and Project Utilization above.

## **VIII. Financial Viability**

### **A. Criterion 1120.120 – Availability of Funds**

### **B. Criterion 1120.130 – Financial Viability**

### **C. Criterion 1120.140 (a) – Reasonableness of Debt Financing**

### **D. Criterion 1120.140 (b) – Terms of Debt Financing**

To assess the financial stability of the Applicants, the State Board uses financial ratios to measure profitability, liquidity, capital structure and asset efficiency. The Applicants provided their 2021 audited financial statements which they consider confidential and proprietary. Board Staff review of these financial statements shows that the Applicants have the wherewithal to fund this project and meet the requirements of the debt financing.

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<sup>2</sup> All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit, except were noted in 77 Ill. Adm. Code 1100.

DuPage Medical Group, Ltd. proposes to lease approximately 100,000 GSF of space from Shorewood Development Group, Ltd at a cost of \$32.80 per GSF increasing by 2% per year for 20 years with a three five-year renewal options. Shorewood Development Group, Ltd will provide \$226.80 per GSF contribution or a total of \$22,680,000 for the build out of the space. The Applicants have attested the expense of leasing the facility and equipment is less costly than constructing a new facility or purchasing new equipment.

**E) Criterion 1120.140 (c) – Reasonableness of Project Costs**

**Modernization and Contingency Costs** total \$22,720,00 or \$227.20 per GSF. This appears reasonable when compared to the State Board Standard of \$323.67 per GSF.

**Architectural and Engineering Fees** total \$1,430,000 or less than 1% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 7.65%.

The State Board does not have a standard for the following costs.

Consulting	\$850,000
Equipment General	\$1,440,000
FMV of Building	\$6,367,840
IT/Telecom	\$3,200,000
Furniture	\$1,800,000
Imaging Equipment	\$10,092,000
Medical Equipment	\$8,468,000

**Criterion 1120.140 (d) – Direct Operating Costs**

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

The State Board does not have a standard for these costs for Medical Office Building.