STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST, SPRINGFIELD, ILLINOIS 62761 •(217) 782-3516 FAX: (217) 785-4111

DOCKET NO: H-09	BOARD MEETING: March 21, 2023	PROJECT NO: 22-048	PROJECT COST: Original: $3,435,152
FACILITY NAME: Niles Surgery Center, LLC		CITY: Niles	
TYPE OF PROJECT: Substantive			HSA: VII

DESCRIPTION: Niles Surgery Center (the Applicant), proposes to establish a single specialty ambulatory surgical treatment center ("ASTC") providing Ophthalmology surgical services in one Operating Room. The proposed facility will be located at 7403 Milwaukee Avenue, Niles, Illinois. The cost of the project is $3,768,583. The completion date is July 1, 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. Construction or modification means the establishment, erection, building, alteration, reconstruction, modernization, improvement, extension, discontinuation, change of ownership, of or by a health care facility, or the purchase or acquisition by or through a health care facility of equipment or service for diagnostic or therapeutic purposes or for facility administration or operation, or any capital expenditure made by or on behalf of a health care facility which exceeds the capital expenditure minimum.

Information regarding this application can be found at this link:
https://www2.illinois.gov/sites/hfsrb/Projects/Pages/22-048.aspx

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Niles Surgery Center, LLC, and SEF Partners LC) propose to establish a single specialty ambulatory surgical treatment center ("ASTC") providing Ophthalmology surgical services in one operating room. The proposed facility will be located at 7403 Milwaukee Avenue, Niles, Illinois. The cost of the project is $3,768,583. The completion date is July 1, 2024.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The Applicant proposes to establish a health care facility as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3).

PURPOSE OF THE PROJECT:

- The Applicant states: *"This project accomplishes two fundemenatlly important goals: it increases access to opthalmological and optometric care – both for patients and providers, by avoiding the splintering of services, and it meaningfiully improves quality and access for patients reliant upon Medicaid for services."*

PUBLIC HEARING/COMMENT:

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

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). To determine the need [demand] for an ASTC facility the State Board relies on the physician referrals to health care facilities. State Board Rule requires referrals for the most recent 12-months that are available.
- The Applicant is projecting the majority of its patient base will reside within the 10-mile service area.
- The Applicant 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) (6) – Service Accessibility	The Applicants are required to meet one of four conditions outlined in rule: 1. *There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project.* 2. *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.* 3. *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.* 4. *The proposed project is a cooperative venture sponsored by 2 or more persons, at least one of which operates an existing hospital.*

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
	Ophthalmology surgical service is available within the 10-mile GSA. There is sufficient capacity within the 10-mile GSA that can accommodate the demand proposed by this project. The Applicants were not able to meet one of the four conditions required by rule.
77 ILAC 1110.235 (c)(7) – Unnecessary Duplication/Maldistribution	There are 15 ASTCs and 9 hospitals in the 10-mile GSA. The 15 ASTCs operating procedure room utilization is 30.3% and the 9 Hospitals operating procedure rooms utilization is 47%.

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STATE BOARD STAFF REPORT

Project #22-048

Niles Surgery Center

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	Niles Surgery Center, LLC
Facility Name	Niles Surgery Center
Location	7403 Milwaukee Avenue, Niles, Illinois
Permit Holder	Niles Surgery Center, LLC
Operating Entity/Licensee	Niles Surgery Center, LLC
Owner of Site	SEF Partners, LLC
Total GSF	4,596 GSF
Application Received	December 15, 2022
Application Deemed Complete	December 16, 2022
Review Period Ends	April 15, 2023
Project Completion Date	July 1, 2024
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

I. Project Description

The Applicants (Niles Surgery Center, LLC and SEF Partners, LLC) propose to establish a single specialty ambulatory surgical treatment center ("ASTC") providing Ophthalmology surgical services in one Operating Room. The proposed facility will be located at 7403 Milwaukee Avenue, Niles, Illinois. The cost of the project is $3,768,583. The completion date is July 1, 2024.

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

The Applicants are Niles **Surgery Center, LLC, and SEF Partners, LC.** Niles Surgery Center LLC, is owned by two physicians, Dr. Kevin L. Sullivan, and Dr Jason Ethington, and each holds 50% ownership interest in the surgery center. The building is owned by SEF Partners, LLC, and will be landlord to the Applicant party. The project is a substantive project subject to a Part 1110 and Part 1120 review. Financial commitment will occur after project approval.

IV. Health Service Area

The proposed ASTC will be in the HSA VII Health Service Area. The HSA VII Health Service Area consists of Suburban Cook and DuPage counties.

V. Project Details

The proposed ASTC will have 1 operating room. **Note:** According to CMS cataract surgery is the most common Medicare operation in the United States, with 1.6 million procedures performed annually under Medicare Part B alone. Cataract Surgery is the most performed outpatient procedure for the Medicare demographic, and office-based surgeries can provide savings to Medicare by reducing the need for an anesthesia provider while maintaining the surgeon's overall reimbursement. The Applicant party also proposes to serve Medicaid partients as well, and anticipates a robust practice in serving these populations. ASC cataract surgery reimbursement remains lower than that for HOPDs. Commercial insurers and Medicare Advantage, which is processed by commercial insurance, reimburse for most Office based cataract surgeries. Medicare pays facility fees only for hospital and ASC cataract surgeries and not for Office-based procedures.

VI. Project Uses and Sources of Funds

The project is being funded with cash/securities totaling $1,354,437, mortgages amounting to $1,064,146, and the fair market value of leases totaling $1,064,146. Estimated start-up costs and operating deficit cost is $1,000,000.

TABLE ONE
Uses and Sources of Funds

Use of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Modernization Costs	$917,008	$629,622	$1,546,630	41%
Contingencies	$85,129	$58,450	$143,579	3.8%
A&E Fees	$89,804	$61,660	$151,464	4%
Consulting	$92,730	$63,669	$156,399	4.2%
Movable and Other Equipment	$471,750	$83,250	$555,000	14.7%
Net Interest Expense During Construction	$36,680	$25,185	$61,865	1.7%
FMV of Leased Space	$762,844	$122,576	$1,064,146	28.2%
Other Costs to be Capitalized	$53,065	$36,435	$89,500	2.4%
Total	$2,509,010	$1,080,847	$3,768,583	100.00%
Source of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Cash/Securities	$873,083	$481,354	$1,354,437	35.9%
Mortgage	$762,844	$122,576	$1,350,000	35.8%
FMV of Leased Space	$762,844	$122,576	1,064,146	28.3%
Total	$2,509,010	$1,080,847	$3,768,583	100.00%

VII. Background of the Applicant, Purpose of the Project, Safety Net Impact Statement, Alternatives

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

A) Background of Applicant

The Applicant attests that in the last three years prior to filing of this Application for Permit, there has been no "adverse action" against taken against them and there are no Illinois health care facilities owned and operated by the Applicant and subject to State Board jurisdiction. HFSRB and IDPH are hereby authorized by the Applicant to access any documents necessary to verify the information submitted with this application relating to the Applicant, including, but not limited to official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations.

B) Purpose of Project

The Applicant states: *"This project accomplishes two fundemenatlly important goals: it increases access to opthalmological and optometric care – both for patients and providers, by avoiding the splintering of services, and it meaningfiully improves quality and access for patients reliant upon Medicaid for services."*

C) Safety Net Impact Statement

The Applicants provided the following statement as it relates to Safety Net Impact.
"Niles Surgery Centers, LLC is a new entity and has no applicable historical data for this section of the application. However, it is anticipated that the proposed facility will not have a material impact on essential safety net services in the community. Milwaukee Avenue Eye Associates has long maintained a commitment to serving all patients regardless of their ability to pay. The existing patient base of the practice is both racially and economically diverse and resides throughout the Niles and Chicagoland area. The practice currently accepts Medicaid and their proposed business plan is based upon the facility continuing to serve Medicaid patients. This is of significant importance because the commitment to a Medicaid population is a significant basis to justify the need for this facility. Too often, area ASCs do not accept Medicaid because of the lower reimbursement from Medicaid as compared to private insurance. However, a significant percentage of the patient population is reliant upon Medicaid for its primary (or secondary) insurance and, for those patients, access to care can be a significant challenge. The commitment to participation in Medicaid, including in the various Medicaid managed care plans, is an important part of the expansion of safety net services that will be accomplished by this project's approval."

The Table below outlines the Applicants' projected payor mix along with the 3-year average of ASTCs in the HSA 7 Health Service Area.

TABLE TWO Payor Mix				
	Applicant		HSA 7 3-Year Average ASTC	
	% Of Patients	% Of Revenue	% Of Patients	% Of Revenue
Commercial	64%-70%	70%	60.23%	71.00%
Medicare	16%-20%	20%	32.91%	19.43%
Medicaid	6%-10%	10%	2.53%	2.07%
Other	NA	NA	4.31%	7.50%
Charity	0.00%	0.00%	0.28%	0.18%

D) Alternatives to the Proposed Project

The Applicant considered three alternatives to the proposed project.

1) Maintain Status Quo (Costs: None)

While this option involves no funding commitment, it perpetuates the fragmnentaion of care for Medicaid/Medicare patients, causing them to seek treatment with multiple providers in multiple locations. Vision care is historically a multi-encouter process, with patients needing to return for follow-up appointments. This need to make multiple visits creates challenges in maintaining access to one particular physician/clinician, due to patient scheduling and priority being afforded to commercial insurance patients with procedures with higher reimbursements. This option was rejected.

2) Pursuing a Joint Venture (Costs: Unknown)

The opotion of pursuing a joint venture with another provider was considered. However, those physicians considering a joint venture are less inclined to engage in a practice epartnership that serves a substantial Medicare/Medicaid patient base, making it a challenge to identify clinicians willing to enter into a partnership agreement.

3) Propose a Project of Greater of Lesser Scope (Costs: Varies)

The Applicants acknowledge tha a project of lesser scope would result in a project of lesser cost, while the same can be assumed for projects of greater scope. The Applicants felth That adding surgical specialties or surgical suites would increase the project scope, but it is not reflective of the current needs of the market area. The Applicants concluded that neither greater or lesser ASTC offerings would address access issues or result in significant financial benefit, and this option was rejected.

4) Project as Proposed (Costs: $3,768,583)

The Applicants attest to giving this project, and the requirements of this section significant thought. They determined that the project in its current state provides stability and increased access to ophthalmologic and optometric care for Medicare/Medicaid patients. In reference to the principle of the Certificate of Need program, the Applicants decided this was their best option.

VIII. Size of the Project and Projected Utilization

A) Criterion 1110.120 (a) - Size of the Project
B) Criterion 1110.120 (b) - Projected Utilization

1. Size of the Project

The Applicants are proposing 2,725 GSF for one operating room. The State Board Standard is 2,750 GSF per operating room, and the Applicants have successfully addressed this criterion.

2. Projected Utilization

The Applicants are projecting 1,435 procedures will be performed at the ASTC within the first year after project completion. The State Board standard is 1,500 procedures per operating room, and the Applicants have successfully addressed this criterion.

77 ILAC 1110.235 (3) (iv) states *"Referrals to health care providers other than IDPH-licensed ASTCs or hospitals will not be included in determining projected patient volume."*

IX. Non-Hospital Based Ambulatory Surgical Treatment Center Services

77 ILAC 1110.235 (c)(2)(B)(i) & (ii)	−	Service to GSA Residents
77 ILAC 1110.235 (c)(3)(A) & (B) or (C)	−	Service Demand − Establishment
77 ILAC 1110.235 (c)(5)(A) & (B)	−	Treatment Room Need Assessment
77 ILAC 1110.235 (c)(6)	−	Service Accessibility
77 ILAC 1110.235 (c)(7)(A) through (C)	−	Unnecessary Duplication Maldistribution
77 ILAC 1110.235 (c)(8)(A) & (B)	−	Staffing
77 ILAC 1110.235 (c)(9)	−	Charge Commitment
77 ILAC 1110.235 (c)(10)(A) & (B)	−	Assurance

A) (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.

B) Service to Geographic Service Area Residents

The Applicants shall document that the primary purpose of the project will be to provide necessary health care to the residents of the geographic service area (GSA) in which the proposed project will be physically located.

i) The Applicants shall provide a list of zip code areas (in total or in part) that comprise the GSA. The GSA is the area consisting of all zip code areas that are located within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the project's site.

ii) The Applicants shall provide patient origin information by zip code for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the GSA. Patient origin information shall be based upon the patient's legal residence (other than a health care facility) for the last 6 months immediately prior to admission.

The established radii for a facility located in Suburban Cook and DuPage County is 10-miles per 77 ILAC 1100.510. The Applicants identified 57 zip codes in this 10-mile service area with a population of approximately 2.3 million residents. The Applicants note a single specialty ASTC will have minimal impact on the patient population in the service area.

3) Service Demand – Establishment of an ASTC Facility or Additional ASTC Service

5) Treatment Room Need Assessment

The Applicants shall document that the proposed project is necessary to accommodate the service demand experienced annually by the Applicants, over the latest 2-year period, as evidenced by historical and projected referrals.

In past 12-months the Applicant (Dr. Kevin Sullivan M.D.) has referred 1,169 patients to the health care facilities listed below. According to the Applicants the intent is to refer 632 patients to the proposed ASTC. Based upon Dr. Sullivan's referral letter, there is sufficient demand to justify the proposed operating room. The Applicants have justified the single room being proposed, and a positive finding results.

TABLE THREE
Facilities the Applicant have referred cases

Facility	12-Month Historic Referrals	Projected Cases
Belmont Harlem Surgery Center	590	350
Golf Surgery Center	9	9
Hoffman Estates Surgery Center	86	30
Milwaukee Eye Center (in-office procedures)	182	0
Holy Family Hospital	155	100
Northwest Surgicare	138	138
Saint Alexius Hospital	9	5
Total	1,169	632

6) Service Accessibility

The proposed ASTC services being established or added are necessary to improve access for residents of the GSA. The Applicants shall document ***that at least one*** *of the following conditions exists in the GSA:*

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

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

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

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

I) The existing hospital is currently providing outpatient services to the population of the subject GSA.
ii) The existing hospital has sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital and at the proposed ASTC, based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100.
iii) The existing hospital agrees not to increase its surgical/treatment room capacity until the proposed project's surgical/treatment rooms are operating at or above the utilization rate specified in 77 Ill. Adm. Code 1100 for a period of at least 12 consecutive months; and
iv) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

The Applicants propose to establish a single-specialty ASTC with one operating room. Ophthalmology surgical service is available within the 10-mile GSA. The Applicants were unable to meet one of four criteria listed above.

TABLE FOUR
Facilities in the 10-mile GSA

Name	**City**	**Miles**	Operating/Procedure Rooms	Utilization %
Advanced Ambulatory Surgical Center	Chicago	6.6	3	19.52%
Belmont/Harlem Surgery Center	Chicago	5.6	4	25.04%
Fullerton Kimball Medical & Surgical Center	Chicago	8.9	3	17.68%
Fullerton Surgery Center	Chicago	7.6	3	12.04%
Lakeshore Surgery Center	Chicago	6.9	2	19.52%
North Shore Surgical Center	Lincolnwood	4.4	3	60.41%
Northwest Community Day Surgery	Arlington Heights	8.1	10	47.06%
Northwest Surgicarer	Arlington Heights	8.3	5	10.10%
Northwestern Grayslake	Grayslake	6.1	4	43.79%
Novamed Surgery Center of Chicago Northshore	Chicago	6.1	1	43.25%
Ravine Way Surgery Center	Glenview	6.3	4	117.94%
Golf Surgical Center	Des Plaines	2.4	8	9.47%
Rogers Park One Day Surgery Center	Chicago	7.3	3	10.40%
Six Corners Same Day Surgery	Chicago	5.2	5	0.08%
Western Diversey Surgical Center	Chicago	9.3	2	16.83%
Presence Resurrection Medical Center	Chicago	2.6	18	35.12%
Community First Medical Center	Chicago	5.6	11	20.55%
Advocate Lutheran General Hospital	Park Ridge	3.2	35	71.43%
Glenbrook Hospital	Glenview	4	15	38.49%
Skokie Hospital	Skokie	5.2	19	67.13%
Swedish Covenant Hospital	Chicago	7.1	14	67.11%
Methodist Hospital of Chicago	Chicago	8.4	4	0.00%
Presence St. Francis Hospital	Evanston	7.2	16	23.54%
NorthShore Univ. HealthSystem Evanston Hospital	Evanston	8.5	23	99.74%

7) Unnecessary Duplication/Maldistribution

A) The Applicants shall document that the project will not result in an unnecessary duplication. The Applicants shall provide the following information for the proposed GSA zip code areas identified in subsection (c)(2)(B)(i):

i) the total population of the GSA (based upon the most recent population numbers available for the State of Illinois); and

ii) the names and locations of all existing or approved health care facilities located within the GSA that provide the ASTC services that are proposed by the project.

B) The Applicants shall document that the project will not result in maldistribution of services. Maldistribution exists when the GSA has an excess supply of facilities and ASTC services characterized by such factors as, but not limited to:

i) a ratio of surgical/treatment rooms to population that exceeds one and one-half times the State average.

ii) historical utilization (for the latest 12-month period prior to submission of the application) for existing surgical/treatment rooms for the ASTC services proposed by the project that are below the utilization standard specified in 77 Ill. Adm. Code 1100; or

iii) insufficient population to provide the volume or caseload necessary to utilize the surgical/treatment rooms proposed by the project at or above utilization standards specified in 77 Ill. Adm. Code 1100.

C) The Applicants shall document that, within 24 months after project completion, the proposed project:

i) will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and

ii) will not lower, to a further extent, the utilization of other GSA facilities that are currently (during the latest 12-month period) operating below the utilization standards.

Maldistribution-10 Mile GSA

There are 217 operating procedure rooms in the 10-mile GSA and a population of approximately 2,265,763 residents. The ratio of operating procedure rooms to population in the 10-mile GSA is .0960 per thousand population. There are approximately 12.58 million residents in the State of Illinois and a total of 2,599 operating procedure rooms in the State of Illinois. The ratio of operating procedure rooms to population in State of Illinois is .2065 per thousand population. There is not a surplus of operating/procedure rooms in the 10-mile GSA.

Duplication

As can be seen by the Table above there is excess capacity throughout this 10-mile GSA. *The Applicants stated: "Some of licensed ASTCs in the geographic service area are either operating at or near target utilization, some do not offer the same services that are proposed by this project, others are affiliated with hospital institutions and serve patients from those facilities. Other facilities that offer ophthalmological are either near target utilization, offer minimal or no services to Medicaid patients currently, or are multi-specialty ASTCs offering procedures in many different categories of service. None of the surgery centers are designed for or dedicated to serving this patient population that this facility is proposed for, nor do they have the commitment to a Medicaid population, as this facility will."*

8) Staffing

A) Staffing Availability

The Applicants 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 Applicants 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.

According to the Applicant the facility will appoint, The facility will appoint, Kevin L. Sullivan, M.D. who is an Ophthalmological Surgeon as Medical Director for the facility. The applicant has not traditionally had any difficulties in staffing their existing offices nor do they anticipate difficult in staffing the proposed ASTC. As needed additional staff will be identified and employed utilizing existing job search sites and professional placement services.

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 Applicants 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 Applicant provided the necessary attestation as required by this criterion at page 73 of the Application for Permit. A listing of charges were provided.

10) Assurances

A) The Applicants 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.

B) The Applicants 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 Applicant provided the necessary attestation as required by this criterion.

X. Financial Viability

A) Criterion 1120.120 – Availability of Funds
B) Criterion 1120.130 – Financial Viability

The Applicant stated the total estimated project cost is $3,768,583 and $2,704,437 of that amount is attribute to construction and equipment purchases. Kevin L Sullivan, M.D and Jason G. Ethington will fund the project costs with cash and a personal loan from Dr. Mary Dougal. The physicians have sufficient internal resources to fund the cash portion of the project and letter from Dr. Sullivan's bank attesting to the availability of the necessary project funds and a letter of commitment from Dr. Mary Dougal is enclosed to evidence Dr. Ethington's ability to obtain financing for the remainder of the project costs.

TABLE SIX
Projected Ratios

	State Standard	Projected Ratios Year 2
Current Ratio	≥1.5	2.4%
Net Margin %	≥3.50%	34.30%
Debt to Total Capitalization	≤80%	No Debt
Debt Service Coverage	≥1.75	8.42
Days Cash on Hand Cash	≥45 days	191 days
Cushion Ratio	≥ 3	8.42

X. Economic Feasibility

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

B) Criterion 1120.140 (b) - Conditions of Debt Financing

The Applicant provided a letter from UBS Bank that stated Dr. Kevin Sullivan had liquid assets (stock, bonds, mutual funds) in excess of $1,350,000. The State Board considers leasing as debt financing. The lease terms are between related parties. No lease was provided.

C) Criterion1120.140 (c) – Reasonableness of Project Costs

Modernization costs and contingencies are $ 1,002,137 or $367.75 per GSF. This appears reasonable when compared to the State Board Standard of $466.96per GSF.

Contingency Costs are $85,129 and are 9.3% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 10%.

A&E Fees are $89,804 and are 8.91% of new modernization and contingency costs. This appears reasonable when compared to the State Boar Standard of 12.33%

Movable and Other Equipment are $471,750 per room. This cost appears reasonable when compared to the State Board Standard of $535,157 per room.

The State Board does not have a standard for these costs:

Consulting	$92,730
Net Interest Expense During Construction	$36,680
FMV of Leased Space	$762,844
Other Costs to be Capitalized	$53,065

D) Criterion 1120.140 (d) – Direct Operating Costs

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

The Applicants did not address these criteria.

ProForma				
	Year 1		Year 2	
Revenue	$1,322,340	% of Revenue	$1,519,540	% of Revenue
Rent	$151,800	6.12%	$151,800	6.12%
Payroll	$310,000	12.50%	$360,000	14.52%
Billing	$50,000	2.02%	$50,000	2.02%
Med Supplies	$294,860	11.89%	$340,860	13.75%
Complex Supplies	$22,700	0.92%	$26,240	1.06%
Heralth Ins	$10,000	0.40%	$11,160	0.45%
Utilities	$6,000	0.24%	$6,000	0.24%
Computer	$18,000	0.73%	$18,000	0.73%
Office Supplies	$15,000	0.61%	$15,000	0.61%
Phone	$5,000	0.20%	$5,000	0.20%
Bank Fees	$500	0.02%	$500	0.02%
Insurance	$9,015	0.36%	$9,285	0.37%
Professional	$4,500	0.18%	$4,500	0.18%
Total Expenses	$897,375	36.20%	$998,345	40.27%
Net Profit	$424,965	17.14%	$521,215	21.02%

ProForma	
	Year 1
Current Assets	$100,000
Total Fixed Assets	$2,300,000
Total Liabilities	$6,739,968
Current Liabilities	$0
Long Term Liabilities	$0
Total Liabilities	$0
Capital	$2,400,000
Liabilities and Capital	$2,400,000