



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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<b>DOCKET NO:</b> H-01	<b>BOARD MEETING:</b> December 16, 2014	<b>PROJECT NO:</b> 14-025	<b>PROJECT COST:</b> Original: \$2,233,353
<b>FACILITY NAME:</b> Winchester Endoscopy Center		<b>CITY:</b> Libertyville	
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA: VIII</b>

**PROJECT DESCRIPTION:** Winchester Endoscopy, LLC (the "Applicant") proposes to establish a limited-specialty ambulatory surgical treatment center ("ASTC") with 2 procedure rooms and 4 recovery stations in a medical office building at a cost of \$2,233,353. The anticipated date of completion is August 31, 2016.

## EXECUTIVE SUMMARY

### PROJECT DESCRIPTION:

- Winchester Endoscopy, LLC (the "Applicant") proposes to establish a limited-specialty ambulatory surgical treatment center ("ASTC") with 2 procedure rooms and 4 recovery stations in a medical office building at a cost of \$2,233,353.
- **The anticipated completion date is August 31, 2016.**

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

- This project is before the State Board because the project proposes to establish a health care facility as defined by Illinois Health Facilities Planning Act (20 ILCS 3960(3)).
- **The State Board Staff Notes** that should the State Board approve this project for a limited specialty ASTC the facility will have to submit an application for permit to add an additional surgical specialty.
- **On October 29, 2014** the applicant was sent a "cease and desist letter" by the Illinois Department of Public Health to immediately cease operating as an Ambulatory Surgical Treatment Center. The applicant was assessed a fine of \$20,210.

### PURPOSE OF THE PROJECT:

- The applicant stated the following regarding the purpose of the project. *"The Applicant seeks to convert its existing physician-office based endoscopy practice to an ambulatory surgical treatment center ("ASTC"). As part of that practice, one of the ancillary services the medical practice provides is endoscopy services. Due to increased endoscopy volumes, Northshore Center for Gastroenterology has determined it must segregate the endoscopy care it provides into a separate clinic which is licensed as an ASTC. This is required because IDPH rules place limits on offering ancillary surgical services in a medical practice setting and this application is required in order to conform with the requirements of the Illinois Ambulatory Surgical Treatment Center Act. The proposed ASTC will be a single-specialty ASTC limited to endoscopy (gastroenterology) services."*

### NEED FOR THE PROJECT:

- The applicant currently performs gastroenterology procedures in an office-based setting located at 1880 Winchester Road, Suite 201, Libertyville, Illinois. The Ambulatory Surgical Treatment Act (210 ILCS 5) requires facilities used by physicians that perform surgical procedures in excess of 50% of the activities at that location be licensed as an Ambulatory Surgical Treatment Center. Per the applicant the need for this proposed facility is to comply with the Illinois Ambulatory Surgical Treatment Act (210 ILCS 5).
- There are 20 ASTC's and 14 hospitals within the proposed geographic service area. All of the hospitals and 10 of the ASTC's perform gastroenterology procedures.
- **The State Board Staff Notes:** To determine need for an ASTC facility the State Board relies on the physician referrals to health care facilities as defined by the Health Facilities Planning Act (20 ILCS 3960/3). Approximately 98% of the referrals for the proposed facility are from a physician-office based practice. While current State Board rules provide that these referrals cannot be taken into account to determine need for the

proposed facility, the applicant is seeking to get a license for its endoscopy services to ensure the Northshore Center for Gastroenterology’s compliance with IDPH requirements relating to the scope of care permitted for a gastroenterology’s medical practice.

**PUBLIC COMMENT:**

- A public hearing was offered on this project no hearing was requested. Four letters of support were received from the following:
  - Jeanne Ang, MCRP, Director, Primary Care Services, Lake County Health Department and Community Health Center
  - Angie Underwood, Village President, Village of Long Grove
  - Mohina Gupta, MD, Medical Director, Winchester House
  - Dianne M. Yaconetti, President and CEO Lambs Farm
 No letters of opposition were received by the State Board Staff.
- Letters from the Illinois Hospital Association and the Ambulatory Surgery Center Association of Illinois were also received by the State Board Staff.
- At the conclusion of this report are copies of these letters.

**WHAT WE FOUND:**

- The applicant addressed a total of 21 criteria and did not meet the following:

<b>State Board Standards Not Met</b>	
Criteria	Reasons for Non-Compliance
1110.1540 (b) Background of Applicant	On October 29, 2014 the applicant was sent a “cease and desist letter” by the Illinois Department of Public Health to immediately cease operating as an Ambulatory Surgical Treatment Center. The applicant was assessed a fine of \$20,210. The State Board Staff considered this action by IDPH as adverse action.
1110.1540 (d) - Service Demand	4,233 referrals of the 4,317 referrals were from an office based setting and by State Board rule cannot be used to justify the demand for the project.
1110.1540 (f) - Treatment Room Need Assessment	4,233 referrals of the 4,317 referrals were from an office based setting and by State Board rule cannot be used to justify the number of treatment rooms being proposed.
1110.1540 (g) – Service Access	It does not appear that service access will be approved because there are 20 ASTC’s and 14 hospitals within the proposed GSA. Of these 20 ASTC’s 10 provide gastro procedures. Of these 10 ASTC’s 3 are not operating at 80% target occupancy. Of the 14 hospitals that provide gastro procedures one-half (7) are not at target occupancy of 80%. See Table Five and Table Six
1110.1540 (h) – Unnecessary Duplication of Service	Because all existing facilities in the proposed geographic service area are not operating at target occupancy it would appear that unnecessary duplication of service may result with the approval of this facility.

**STATE BOARD STAFF REPORT  
Winchester Endoscopy Center  
PROJECT #14-025**

<b>APPLICATION CHRONOLOGY</b>	
Applicants(s)	Winchester Endoscopy, LLC
Facility Name	Winchester Endoscopy Center
Location	Libertyville, Illinois
Application Received	June 11, 2014
Application Deemed Complete	June 11, 2014
Can applicants request a deferral?	Yes
Review Period Extended by the State Board Staff?	Yes
Applicant's Modified Project	September 2, 2014

**I. The Proposed Project**

Winchester Endoscopy, LLC (the "Applicant") proposes to establish a limited-specialty ambulatory surgical treatment center ("ASTC") with 2 procedure rooms and 4 recovery stations in a medical office building at a cost of \$2,233,353.

**II. Summary of Findings**

- A. The State Board Staff finds the proposed project does not appear to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

**III. General Information**

The applicant is Winchester Endoscopy, LLC. Winchester Endoscopy, LLC is an Illinois limited liability company organized April 30, 2014. A certificate of good standing from the Illinois Secretary of State was submitted as required. The limited liability company has the following members: Arkan Alrashid, M.D, Sean Lee, M.D., John N. Tasiopoulos, D.O. (Doctor of Osteopathic Medicine). Each member has a third interest in Winchester Endoscopy, LLC. Winchester Endoscopy, LLC is associated with Northshore Center for Gastroenterology S. C. The gastroenterology procedures are currently being performed at Northshore Center for Gastroenterology S. C. located at 1880 Winchester Road, Suite 201 Libertyville, Illinois.

The proposed ASTC will be located at 1870 West Winchester Road, Suite 146, Libertyville, Illinois in the HSA VIII service area. HSA VIII includes the Illinois counties of Kane, Lake and McHenry. HSA VIII includes 16 hospitals and 14 ASTC's. The operating entity/licensee will be Winchester Endoscopy, LLC and the owner of the site is Winchester Medical Building, Ltd.

The project is a substantive project and is subject to Part 1110 and Part 1120 review. Obligation will occur after permit issuance. **The anticipated project completion date is August 31, 2016.**

**IV. The Proposed Project – Details**

Winchester Endoscopy, LLC (the "Applicant") proposes to establish a limited-specialty ambulatory surgical treatment center ("ASTC") with 2 procedure rooms and 4 recovery stations in 4,166 GSF of leased space in a medical office building at a cost of \$2,233,353.

**V. Project Costs and Sources of Funds**

The applicant is funding the project with cash of \$369,500 a mortgage of \$400,000 and a lease with a FMV of \$1,463,853. Estimated start-up costs and operating deficit is \$256,122.

<b>TABLE ONE</b>		
<b>Project Costs and Sources of Funds</b>		
<b>Uses of Funds</b>	<b>Clinical</b>	<b>Total</b>
Site Preparation	\$30,000	\$30,000
Modernization	\$550,000	\$550,000
Contingencies	\$50,000	\$50,000
A&E Fees	\$42,500	\$42,500
Consulting Fees	\$72,000	\$72,000
Movable or Other Equipment	\$25,000	\$25,000
FMV of Leased Space	\$1,463,853	\$1,463,853
<b>Total</b>	<b>\$2,233,353</b>	<b>\$2,233,353</b>
<b>Sources of Funds</b>		
Cash	\$369,500	\$369,500
Mortgage	\$400,000	\$400,000
FMV of Leased Space and Equipment	\$1,463,853	\$1,463,853
<b>Total</b>	<b>\$2,233,353</b>	<b>\$2,233,353</b>

**VI. Cost/Space Requirements**

The State Board asks applicants to provide the cost and the gross departmental square footage for each department/service being proposed by the project. For each department the existing, the proposed gross square footage the gross square footage that is new construction, modernized, remains as is and the amount of vacated space. The applicant is proposing 4,166 GSF of modernized space for the proposed service.

**VII. Section 1110.230 - Purpose of Project, Safety Net Impact Statement and Alternatives**

**A) Criterion 1110.230 (a) - Purpose of the Project**

**The applicant shall 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 State Board asks all applicants to document the purpose of the project, that the project will provide care to residents of the market area, identify the existing problems the project will address, how the propose project will address the problems identified, and the goals of the proposed project.

**Purpose of the Project**

The purpose of the project is to convert an existing physician-office based endoscopy practice to an ambulatory surgical treatment center (“ASTC”) to meet the requirements of the Ambulatory Surgical Treatment Act (210 ILCS/5). This is due to increases in endoscopy volume at the physician office based endoscopy practice. The Illinois Department of Public Health requires all facilities performing more than 50% of surgical procedures at a physician-office based facility be licensed as an ambulatory surgical treatment center. The applicants also expect to improve access to colorectal cancer screening to patients residing in Libertyville and surrounding area.

**Service Area**

The Applicant expects the service area of the planned endoscopy center to be identical to the service area of Northshore Center for Gastroenterology. The service area consists of those Illinois areas within 45 minutes normal travel time of Winchester Endoscopy Center. Travel times to and from Winchester Endoscopy to the market area borders are as follows:

- East: Approximately 23 minutes normal travel time to Lake Michigan
- Southeast: Approximately 45 minutes normal travel time to Evanston
- South: Approximately 45 minutes normal travel time to Wood Dale
- Southwest: Approximately 45 minutes normal travel time to South Barrington
- West: Approximately 45 minutes normal travel time to Woodstock
- Northwest: Approximately 45 minutes normal travel time to Hebron
- North: Approximately 25 minutes normal travel time to Wisconsin border
- Northeast Approximately 37 minutes normal travel time to Winthrop Harbor, IL

**Need for Project**

This project is needed to ensure the Northshore Center for Gastroenterology's compliance with IDPH requirements relating to the scope of care permitted for a gastroenterologist’s medical practice and to improve access to colorectal cancer screening and other gastroenterology procedures to patients residing in Libertyville and the surrounding area.

**The applicants stated the following:**

*“One of the reasons endoscopy services have increased is because of the payment policies of the Center for Medicare and Medicaid Services which now cover colorectal cancer screening as a preventative service. There are several barriers to effectively screening the population as a whole despite expanded coverage. While from a public health perspective, there is still a long way to go to reach a more optimal screening rate, enhancing the availability of colonoscopy services and providing a non-hospital based option for such care is progress toward an important public health care goal and saves the government money in the short term and long-term (by avoiding far more expensive cancer care treatment). Only 25% of Medicare beneficiaries were screened for CRC between 1998 and 2004. A recent Centers for Disease Control report found 65 percent of Americans reported being up to-date on CRC screening - a rate significantly lower than the Healthy People 2020 target of 70.5 percent. Individuals who do not get CRC screened at all or as often as recommended include low income individuals, those with a lack of education and those without health insurance*

*ASTCs play a vital role in ensuring patient access to preventive measures, such as colonoscopies. in a convenient and affordable setting. Today, ASTCs perform more than 40 percent of Medicare colonoscopies. They have the capacity to do more. When these life-saving procedures are performed in ASTCs, both beneficiaries and the Medicare program saves money because surgery centers perform the procedures at a lower cost than HOPDs. According to data from IDPH the median cost of a colonoscopy performed in one of the local hospital outpatient departments ranged from a high of \$7,291 to a low of \$3,569, the median cost of a colonoscopy at the proposed Winchester Endoscopy is \$1,525, which is less than half the cost of a colonoscopy at the hospital with the lowest charges”*

**See pages 36-47 of the application for permit for a complete discussion of the purpose of the project.**

**B) Criterion 1110.230 (b - Safety Net Impact Statement**

**All health care facilities, with the exception of skilled and intermediate long-term care facilities licensed under the Nursing Home Act [210 ILCS 45], 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 applicant stated the following to address the Safety Net Impact Statement:

*“Winchester Endoscopy Center will not have a material impact on essential safety net services in the community, As documented in the physician referral letters, the procedures to be performed at Winchester Endoscopy Center are*

*currently performed by Northshore Center for Gastroenterology physicians in their offices, No procedures will be transferred to Winchester Endoscopy Center from existing hospitals and surgery centers. The establishment of the ASTC will not impact the ability of other providers or other health care facilities to cross-subsidize safety net services. As noted above, no procedures will be transferred from existing hospitals and surgery' centers to Winchester Endoscopy Center. Accordingly, the proposed project will not impact the ability of other providers to cross-subsidize safety net services. By establishing an ASTC proximately located to Northshore Center for Gastroenterology, the Applicant's medical practice the ASTC will achieve operational efficiencies that cannot be created at other hospitals and ASTCs due to limited scheduling slots and anesthesia services.”*

**The applicant’s projected payor mix** for the proposed facility is 18% Medicare, 10% Medicaid, 70% commercial insurance, and 2% charity care. Table Two and Three document the Hospitals and ASTCs in Health Service Area VIII. Table Four documents the applicant’s proposed payor mix, and the payor mix of the Hospitals and ASTC’s in Health Service Area VIII.

**TABLE TWO  
Hospitals in the Health Service Area VIII**

- |  |  |
|--|--|
| 1. Advocate Good Shepherd                  | 8. Highland Park Hospital              |
| 2. Advocate Condell Medical Center         | 9. Mercy Harvard Memorial Hospital     |
| 3. Advocate Sherman Hospital               | 10. Midwestern Regional Medical Center |
| 4. Centegra Hospital – McHenry             | 11. Northwestern Lake Forest Hospital  |
| 5. Centegra Hospital –Woodstock            | 12. Presence Mercy Medical Center      |
| 6. Centegra Specialty Hospital – Woodstock | 13. Presence St. Joseph Hospital       |
| 7. Delnor Community Hospital               | 14. Rush Copley Medical Center         |
|  | 15. Vista Medical Center East          |
|  | 16. Vista Medical Center West          |

**TABLE THREE  
ASTC’s in the Health Service Area VIII**

- |  |   |
|--|---|
| 1. Algonquin Road Surgery Center           | 8. Lake Forest Endoscopy Center           |
| 2. Barrington Pain and Spine Institute     | 9. Lindenhurst Surgery Center             |
| 3. Castle Surgicenter                      | 10. Northwestern Grayslake Surgery Center |
| 4. Dreyer Ambulatory Surgery Center        | 11. The Lake Bluff Illinois Endoscopy ASC |
| 5. Elgin Gastroenterology Endoscopy Center | 12. Tri City Surgery Center               |
| 6. Fox Valley Orthopedic Institute         | 13. Valley Ambulatory Surgery Center      |
| 7. Hawthorne Surgery Center                | 14. Vernon Square Surgery Center          |

<b>TABLE FOUR</b>			
<b>Payor Mix Health Service Area VIII</b>			
	Proposed ASTC	HSA VIII Hospital	HSA VIII ASTC
	Payor Mix	Payor Mix	Payor Mix
Medicare	18%	23.27%	21.00%
Medicaid	10%	7.07%	1.90%
Other Public		0.61%	0.70%
Private Insurance	70%	63.53%	72.00%
Private Pay		5.52%	4.40%
Charity Care Expense	2%	2.35%	0.16%

- C) **Criterion 1110.230 (c) - Alternatives to the Proposed Project**  
**The applicant shall 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.**

To address this criterion the applicant considered two other alternatives to the proposed project. The applicant provided a narrative that stated the following:

**1. “Continue to Perform Endoscopies in the Center for Gastrointestinal Health**  
*As discussed at Attachment - 12, the Northshore Center for Gastroenterology operates a medical practice providing exclusively gastroenterology care. As part of that practice, one of the ancillary services the medical practice provides is endoscopy services. Due to increased endoscopy volumes, Northshore Center for Gastroenterology has determined that it must segregate the endoscopy care that it provides into a separate clinic which is licensed as an ambulatory surgical treatment center. This is required because IDPH rules place limits on offering ancillary surgical services in a medical practice setting and this application is required in order to conform with the requirements of the Illinois Ambulatory Surgical Treatment Center Act. The proposed ASTC will be a single-specialty ASTC limited to endoscopy (gastroenterology) services. There is no cost to this alternative.*

**2. Utilize Existing ASTCs and Hospitals**  
*The Applicant considered utilizing existing ASTCs and Hospitals. This is not a viable option for several reasons. These facilities cannot efficiently accommodate the volume of colonoscopies the physicians at Northshore Center for Gastroenterology is performing and patients would lose the continuity of care they experience with their physicians. If procedures were moved, the physicians would be forced to travel to several facilities using small scheduling blocks, which pose an inconvenience for both the physicians and their patients. Setting aside the inconveniences and lack of consistency in care delivery, the physicians would have to travel some distance from their medical practice office on multiple*

*days of week which would make them far less accessible to their non-surgical patients as well as their staffs and for consultation with each other. By establishing an ASTC adjacent to Northshore Center for Gastroenterology, the Applicant's medical practice, the ASTC will achieve operational efficiencies that cannot be created at other hospitals and ASTCs due to limited scheduling slots and anesthesia services. As the gastroenterologist shortage worsens, it is important to ensure the efficient use of existing gastroenterologists in order to also ensure adequate access to CRC screening. There is no cost to this alternative.*

**3. Establish an ASTC**

*To better serve the needs of the residents of Libertyville and the surrounding area, the Applicant decided to establish a single-specialty ASTC. The estimated cost of this alternative is \$2,233,353.” See page 48 of the application for permit*

**VIII. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space**

**A) Criterion 1110.234(a) - Size of Project**

**The applicant shall document that the physical space proposed for the project is necessary and appropriate. To address this criterion the applicant provided the proposed gross square feet for the 2 procedure rooms and 4 recovery stations being proposed.**

The applicant is proposing 4,166 gross square feet of space for 2 procedure rooms and 4 recovery rooms. The State Board Standard is 1660-2200 GSF per operating rooms and 180 GSF per recovery room. The State Board Standard is 5,120 GSF. The proposed facility is appropriately sized and in compliance with the Section 1110 Appendix B.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT (77 IAC 1110.234(a))**

**B) Criterion 1110.234 (b) - Project Services Utilization**

**The applicant shall 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. To address this criterion the applicant provided the number of the procedures expected to perform in Year 1 and Year 2 after project completion and the average procedure time and total surgical hours expected.**

The applicant provided the necessary documentation to successfully address this criterion. The applicant is projecting that by the second year after project completion the facility will be at 1,500 hours per procedure room.

The applicant stated the following: “By the second year after project completion, the ASTC's annual utilization shall meet or exceed HFSRB's utilization standards. Pursuant to Section 1110, Appendix B of the HFSRB's rules, utilization for ambulatory surgical treatment centers is based upon 1,500 hours per operating/procedure room. Based upon historical utilization and projected procedures documented in the physician referral letter attached at Appendix - 1, approximately 4,233 procedures will be performed at the ASTC within the first year after project completion. Based upon current experience, the estimated procedure time, including prep and cleanup, is approximately 45 minutes. As a result, 3,175 surgical hours are projected for the first year after project completion, which is sufficient to support the need for two procedure rooms.”

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PROJECT SERVICES UTILIZATION (77 IAC 1110.234(b))**

**IX. Section 1110.1540 - Non-Hospital Based Ambulatory Surgical Treatment Center Services**

**A) Criterion 1110.1540 (a) - Introduction**

*Ambulatory Surgical Treatment Centers required to be licensed pursuant to the Ambulatory Surgical Treatment Center Act [210 ILCS 5] are defined as healthcare facilities subject to the requirements of the Health Facilities Planning Act [20 ILCS 3960/3] and HFSRB rules (77 Ill. Adm. Code 1100, 1110, 1120 and 1130).*

**B) Criterion 1110.1540 (b) - Background of the Applicant**

*An applicant shall document the qualifications, background, character and financial resources to adequately provide a proper service for the community and also 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. [20 ILCS 3960/2]*

To comply with this criterion the applicant must provide a list of all facilities owned by the applicant, a certified listing of any adverse action taken against any facility owned and/or operated by applicant during the three years prior to the filing of the application, and authorization permitting HFSRB and IDPH access to documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other States; when applicable; and the records of nationally recognized accreditation organizations.

The applicant currently does not own a health care facility as that term is defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3) The applicant provided the necessary attestation permitting the State Board and the Illinois Department of Public Health access to all documents to verify the information that has been submitted.

A survey was conducted by the Illinois Department of Public Health on October 2, 2014 to determine if Northshore Center for Gastroenterology was operating an ASTC without a license.

**The results of survey are noted below:**

*“The applicant has two locations:*

- **1880 West Winchester Rd, Suite 210** *is the physician’s main office and exam area. There are three exam rooms and physician offices at this location. Physician office hours for 2 physician’s are from 2-6 PM daily (Monday – Friday).*
- **1870 West Winchester Rd, Suite 146** *is located across the parking lot in another building. This location has 2 pre op exam rooms, 2 Operating suites, 5 recovery bays and 1 physician exam room. This location opened in January 2014. All procedures are performed at this location due to space restrictions related to growth. The staff is the same and shared between locations.*

*Surgery is performed daily (Monday – Saturday) in the morning and office hours for one physician is in the afternoon from 2-6 PM (Monday – Friday). Three procedures are performed at the facility. Colonoscopy, Esophagogastroduodenoscopy (EGD) and flexible sigmoidoscopy.*

*Since the facility has opened in January 2014, 3,284 procedures have been performed.*

<b><i>Procedures Performed by the Three Physician</i></b>			
	<u><i>Dr. Alrashid</i></u>	<u><i>Dr. Lee</i></u>	<u><i>Dr. Tasopoulos</i></u>
<i>Procedures</i>			
<i>Colonoscopy</i>	720	597	667
<i>EGD <sup>(1)</sup></i>	611	299	360
<i>Flex sig <sup>(2)</sup></i>	19	9	2
<i>Total</i>	1350	905	1029
<ol style="list-style-type: none"> <li>1. <i>Esophagogastroduodenoscopy – test for lining of the esophagus</i></li> <li>2. <i>flexible sigmoidoscopy – test to evaluate the lower part of the lower intestine</i></li> </ol>			

*The facility has 8 upper endoscopy scopes and 8 lower endoscopy scopes. There is a sterilization cleaning room for the scopes (automated) and a hanging closet for clean scopes. No other physician performs surgery at this location. There is also a CAT scan machine at the 1870 location – used only for the office practice group. Physician practice is owned by: Dr. Arkan Alrashid, Dr. Sean Lee and Dr. John Tasiooulos for both locations.”*

At the conclusion of this survey the Illinois Department of Public Health sent the applicant a cease and desist letter to immediately cease operating as an ASTC. We considered this action as an adverse action therefore the State Board Staff concluded that the applicant had not met the requirements of this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH THE CRITERION BACKGROUND OF APPLICANT (77 IAC 1110.1540 (b))**

**C) Criterion 1110.1540 (c) - 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.**

The applicant's proposed geographic service area is 45 minutes in all directions. The patient origin by zip code for all patients treated by Northshore Center for Gastroenterology physicians (referring physicians) for the latest 12-month period was provided as required. According to the applicant approximately 99.6% percent of the procedures performed in the physician office based setting were for patients residing in the proposed geographic service area. It would appear from the zip code information provided by the applicant the proposed facility will serve the residents of the proposed geographic service area. See page 57-61 of the application for permit.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH THE CRITERION GEOGRAPHIC SERVICE AREA NEED (77 IAC 1110.1540 (c))**

**D) Criterion 1110.1540 (d) - 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 two-year period, as evidenced by historical and projected referrals.**

To address this criterion the applicant must provide the number of referrals over the latest two year period. The referring physicians performed 4,317 procedures in CY 2013 in which 4,233 of these procedures were performed at a physician office practice (Northshore Center for Gastroenterology S.C.) and 84 procedures were performed at Advocate Condell Medical Center. Referrals from a physician office practice are not acceptable because the physician office practice is not a health care facility as that term is defined at 20 ILCS 3960/3. Under current State Board rules the applicant does not have sufficient demand to justify the proposed facility.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH THE CRITERION SERVICE DEMAND (77 IAC 1110.1540 (d))**

**E) Criterion 1110.1540 (f) - Treatment Room Need Assessment**

**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 applicant is proposing 2 procedure rooms at the proposed facility. Based upon the projected referrals the applicant can justify 1 procedure room and not the 2 rooms being proposed.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH THE CRITERION TREATMENT ROOM NEED ASSESSMENT (77 IAC 1110.1540 (f))**

**F) Criterion 1110.1540 (g) - Service Accessibility**

**The proposed ASTC services being established or added are necessary to improve access for residents of the GSA.**

To address this criterion the applicant must document one of the following:

- 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 two or more persons, at least one of which operates an existing hospital.

There are 20 ASTC's and 14 hospitals within the proposed geographic service area. All of the hospitals and 10 of the 20 ASTC's are currently performing gastroenterology services. Of the 10 ASTC's that perform gastroenterology procedures only three facilities are not operating at the target occupancy of 1,500 hours (The Glen Endoscopy Center, Aiden Center for Day Surgery and Ashton Center for Day Surgery). One of the ten ASTC's (Apollo Health Center) that perform gastro procedure was licensed in March 2014 no data is available.

The proposed project is not a cooperative venture with an existing hospital. There are underutilized facilities within the proposed geographic service area; therefore it does not appear that the proposed facility will improve access.

The applicant stated the following:

*There is not adequate space in any nearby endoscopy center to accommodate the volumes for this practice. In Lake County, there are three endoscopy centers but all have similar capacity as to what is proposed and similar caseloads. Accordingly, they are not an adequate alternative. Based on the State Board's rules and staff interpretations, the Applicant is not projecting growth in services although this flat utilization is not consistent with the referring physicians' practice base which is steadily growing. While the physicians did not project any growth in order to justify the conversion of its office-based service to a licensed center, this growth trend, likely associated with the aging population, is the primary basis for the need to obtain a license. Further, the establishment of Winchester Endoscopy Center will improve access to colorectal cancer screening for residents of Lake County and the surrounding areas.*

*One of the reasons that endoscopy services have increased is because of the payment policies of the Center for Medicare and Medicaid Services which now cover colorectal cancer screening as a preventative service. Preventative services are covered for a number of reasons but one primary reason from a public health and financing perspective is to avoid the high morbidity and mortality associated with colorectal cancer screening. Despite expanded coverage, a lack of access is one barrier to effectively screening the population as a whole. From a public health perspective, there is still a long way to go to reach a more optimal screening rate. Only 25% of Medicare beneficiaries were screened for colorectal cancer between 1998 and 2004. A recent Centers for Disease Control report found 65 percent of Americans' reported being up-to-date on CRC screening - a rate significantly lower than the Healthy People 2020 target of 70.5 percent.<sup>9</sup> Individuals who do not get CRC screened at all or as often as recommended include low-income individuals, those with a lack of education and those without health insurance.*

*Further, HOPDs are more costly, less efficient and less convenient than ASTCs. The ASTC will allow physicians to schedule their surgeries to maximize efficiency. ASTCs provide high quality surgical care, excellent outcomes, and high level of patient satisfaction at a lower cost than HOPDs. Surgical procedures performed in an ASTC are reimbursed at lower rates than HOPDs and result in lower out-of-pocket expense for patients. Additionally, patients often report an enhanced experience at ASTCs compared to HOPDs due, in part, to easier access to parking, shorter waiting times and ease of access into and out of the operating rooms. Finally, surgeons are more efficient due to faster turnover of operating rooms, designated surgical times without risk of delay due to more urgent procedures, and specialized nursing staff. As a result of these efficiencies, more time can be spent with patients thereby improving the quality of care.*

**See pages 65-66 of the application for permit.**

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH THE CRITERION SERVICE ACCESSIBILITY (77 IAC 1110.1540(g)**

- G) Criterion 1110.1540 (h) - Unnecessary Duplication/Maldistribution**  
The applicant shall document that the project will not result in an unnecessary duplication or maldistribution of service. The applicant shall document that, within 24 months after project completion, the proposed project will not impact other providers.

To address this criterion the applicant must provide

- 1. the total population of the GSA (based upon the most recent population numbers available for the State of Illinois); and**
- 2. 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.**
- 3. a ratio of surgical/treatment rooms to population that exceeds one and one-half times the State average;**
- 4. 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**
- 5. 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.**
- 6. will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and**
- 7. 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.**

Proposed Geographic Service Area

Hospitals

There are 14 hospitals within the proposed geographic service area. All 14 hospitals perform gastroenterology procedures. Of the 14 hospitals 9 of the 14 hospital's operating rooms exceed the State Board standard of 1,500 hours per operating room.

- (1) Northwestern Lake Forest Hospital
- (2) Advocate Good Shepherd

- (3) Glenbrook Hospital
- (4) Advocate Lutheran General Hospital
- (5) Midwest Regional Medical Center
- (6) Northwest Community Hospital
- (7) Alexian Brothers Medical Center
- (8) St. Alexius Medical Center
- (9) Centegra Woodstock

Of the 14 hospitals 7 of the 14 hospitals meet the State Board Standard of 1,500 hours per gastro procedure room.

- (1) Highland Park Hospital
- (2) Glenbrook Hospital
- (3) Midwest Regional Medical Center
- (4) Northwest Community Hospital
- (5) Alexian Brothers Medical Center
- (6) Skokie Hospital
- (7) St. Alexius Medical Center

Ambulatory Surgical Treatment Center

Of the 20 ASTC's in the proposed geographic service area, 14 are classified as multi-specialty ASTC's and 6 are considered limited specialty ASTC's. 10 of the 20 ASTC's perform gastroenterology procedures. Of the 10 ASTC's that perform gastroenterology procedures three facilities are not operating at the target occupancy of 1,500 hours (The Glen Endoscopy Center, Aiden Center for Day Surgery, and Ashton Center for Day Surgery). One of the ten ASTC's (Apollo Health Center) that perform gastro procedure was licensed in March 2014 no data is available.

Maldistribution

The total population in the proposed geographic service area (GSA) is 1,940,443. The State of Illinois Population is 12,830,632. The number of operating rooms and procedure rooms is 341. The ratio of operating procedure rooms to population in the proposed GSA is 1 operating procedure room for every 5,690 individuals. There are 4,395 operating procedure rooms in the State of Illinois. the ratio of operating procedure rooms to population in the State of Illinois is 1 operating procedure room per every 2,919 individuals. Based upon this information there is not a surplus of operating procedure rooms in the proposed geographic area. The proposed project will not result in a maldistribution of service in the proposed geographic service area.

Impact of Facility

The applicant provided documentation of 4,317 referrals in 2013. Of these referrals 4,233 were performed in an physician office based setting. Since these procedures were not performed in a health care facility it would not appear that

the proposed facility will lower the utilization of other facilities in the planning area.

*The applicant states “Winchester Endoscopy Center will not have an adverse impact on existing facilities in the GSA. As discussed throughout this application, the procedures proposed to be performed at the surgery center are primarily performed by the referring physicians in an office-based setting. The proposed facility will not lower the utilization of other area providers that are operating below the occupancy standards.”*

*The applicant states “Winchester Endoscopy Center will not have an adverse impact on existing facilities in the proposed GSA. As discussed throughout this application, the procedures proposed to be performed at the surgery center are primarily performed by the referring physicians in an office-based setting. The proposed facility will not lower the utilization of other area providers that are operating below the occupancy standards.” See pages 67-71 of the application for permit*

It does appear that the proposed number of procedures could be accommodated at other underutilized facilities in the proposed geographic service area and that an unnecessary duplication of service could result within the proposed geographic service area.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH THE CRITERION UNNECESSARY DUPLICATION MALDISTRIBUTION (77 IAC 1110.1540(h))**

**TABLE FIVE**  
**Hospitals within the Proposed Geographic Service Area <sup>(1)</sup>**

<b>Name</b>	<b>City</b>	<b>Adjusted Minutes <sup>(2)</sup></b>	<b>Operating Rooms</b>	<b>OR Room Hours</b>	<b>Number of OR's Justified</b>	<b>Met Standard for OR's</b>	<b>Gastro Procedure Rooms</b>	<b>Gastro Procedures</b>	<b>Number of Gastro Rooms Justified</b>	<b>Met Standard for Gastro Procedure Rooms</b>
Advocate Condell Medical Center	Libertyville	7	12	15,598	11	No	4	2,912	2	No
Northwestern Lake Forest Hospital	Lake Forest	18	8	11,793	8	Yes	5	1,820	2	No
Advocate Good Shepherd Hospital	Barrington	23	11	19,670	14	Yes	5	5,515	4	No
Highland Park Hospital	Highland Park	28	11	13,408	9	No	6	12,868	9	Yes
Glenbrook Hospital	Glenview	30	9	12,234	9	Yes	6	16,068	11	Yes
Centegra Hospital - McHenry	McHenry	32	10	13,371	9	No	4	3,682	3	No
Advocate Lutheran General Hospital	Park Ridge	35	24	44,677	30	Yes	8	10,055	7	No
Midwestern Regional Medical Center	Zion	36	4	5,794	4	Yes	1	634	1	Yes
Northwest Community Hospital	Arlington Heights	37	14	21,867	15	Yes	9	12,058	9	Yes
Alexian Brothers Medical Center	Elk Grove Villa	38	15	21,222	15	Yes	7	14,658	10	Yes
Skokie Hospital	Skokie	40	10	11,439	8	No	5	9,398	7	Yes
St. Alexius Medical Center	Hoffman Estates	41	11	23,096	16	Yes	5	10,242	7	Yes
Resurrection Medical Center	Chicago	41	14	12,023	9	No	5	4,196	3	No
Centegra Hospital - Woodstock	Woodstock	45	5	8,434	6	Yes	3	2,005	2	No

(1) Utilization information taken from 2013 Annual Hospital Questionnaire

(2) Adjusted minutes determined by 77 IAC 1110.510 (d)

**TABLE SIX**  
**Ambulatory Surgical Treatment Centers <sup>(1)</sup>**

<b>Facility</b>	<b>City</b>	<b>Perform Gastro Procedure</b>	<b>Adjusted Minutes <sup>(4)</sup></b>	<b>Type of ASTC</b>	<b>Operating Rooms</b>	<b>Hours</b>	<b>Number of OR's Justified</b>	<b>Met Requirement</b>	<b>Gastro Procedure Rooms</b>	<b>Hours</b>	<b>Met Requirement</b>
Lake Forest Endoscopy Center	Grayslake	Gastro	6	limited	0	2,280	2	Yes	2	2,280	Yes
North Shore Endoscopy Center	Lake Bluff	Gastro	14	limited	0	2,774	2	Yes	2	2,774	Yes
Lindenhurst Surgery Center	Lindenhurst	Gastro	20	multi	4	1,296	1	No	1	28	Yes
Golf Surgical Center	Des Plaines	Gastro	32	multi	5	4,961	4	No	1	261	Yes
The Glen Endoscopy Center	Glenview	Gastro	32	limited	0	2,861	2	No	3	2,861	No
Algonquin Road Surgery Center	Lake in the Hills	Gastro	37	multi	3	2,078	2	No	1	307	Yes
The Hoffman Estates Surgery Center	Hoffman Estates	Gastro	41	multi	3	4,050	3	No	1	750	Yes
Aiden Center for Day Surgery <sup>(3)</sup>	Addison	Gastro	43	multi	4	1,175	1	No	0	467	No
Ashton Center for Day Surgery <sup>(3)</sup>	Hoffman Estates	Gastro	45	multi	4	687	1	No	0	160	No
Apollo Health Center <sup>(2)</sup>	Des Plaines	Gastro	40	multi			0				
Northwestern Grayslake Outpatient ASTC	Grayslake		6	multi	4	679	1	No	0	0	0
Hawthorne Surgery Center	Vernon Hills		13	multi	3	4,594	4	Yes	0	0	0
Vernon Square Surgicenter	Vernon Hills		13	multi	2	847	1	No	0	0	0
Barrington Pain and Spine Institute	Barrington		30	limited	2	533	1	No	0	0	0
Foot & Ankle Surgery Center	Des Plaines		32	limited	3	1,131	1	No	0	0	0
Ravine Way Surgery Center	Glenview		33	multi	3	2,826	2	No	0	0	0
Illinois Hand & Upper Extremity Center	Arlington Heights		37	limited	1	954	1	Yes	0	0	0
Northwest Surgicare	Arlington Heights		37	multi	5	1,298	1	No	1	6	Yes
Northwest Community Day Surgery	Arlington Heights		37	multi	10	10,120	7	No	0	0	0

**TABLE SIX**  
**Ambulatory Surgical Treatment Centers <sup>(1)</sup>**

<b>Facility</b>	<b>City</b>	<b>Perform Gastro Procedure</b>	<b>Adjusted Minutes <sup>(4)</sup></b>	<b>Type of ASTC</b>	<b>Operating Rooms</b>	<b>Hours</b>	<b>Number of OR's Justified</b>	<b>Met Requirement</b>	<b>Gastro Procedure Rooms</b>	<b>Hours</b>	<b>Met Requirement</b>
Illinois Sports Medicine & Orthopedic Surgery Center	Morton Grove		39	multi	4	4,473	3	No	0	0	0

(1) Utilization information taken from 2012 ASTC annual survey.

(2) Apollo Health Center was approved by the State Board on July 21, 2011 as Permit # 11-002 to establish a multi-specialty ASTC performing gastroenterology, obstetric/gynecology, and urology. The facility was licensed on March 17, 2014 no data available.

(3) Aiden Center for Day Surgery and Ashton Center for Day Surgery reported gastro procedures but did not report gastro procedure rooms.

(4) Adjusted minutes determined by 77 IAC 1110.510 (d)

**H) Criterion 1110.1540 (i) - Staffing**

**To be in compliance with this criterion 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.**

To address this criterion the applicant attested that “*Winchester Endoscopy will be staffed in accordance with all State and Medicare staffing requirements.*” To be Medicare and Medicaid certified

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION STAFFING (77 IAC 1110.1540 (i))**

**I) Criterion 1110.1540 (j) - Charge Commitment**

**To be in compliance with this criterion the applicant must provide a statement of all charges, except for any professional fee (physician charge); and a commitment that these charges will not be increased, at a minimum, for the first two years of operation unless a permit is first obtained pursuant to 77 Ill. Adm. Code 1130.310(a).**

The applicant provided the a listing of procedures to be performed at the proposed facility and the necessary attestation at page 74 of the application for permit these charges will not be increased for a period of two year unless a permit is first obtained(Application of Permit Page 75).

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION CHARGE COMMITMENT (77 IAC 1110.1540 (j))**

**J) Criterion 1110.1540 (k) - Assurances**

To be in compliance with this criterion 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. In addition 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.

The applicant has successfully addressed this criterion at page 76 of the application for permit.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.1540 (k))**

## FINANCIAL

### **X. Section 1120.120 - Availability of Funds**

**The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.**

The applicant is proposing to fund this project with cash of \$369,500, a mortgage of \$400,000, and leases with a fair market value of \$1,463,853. The applicant provided the following as evidence of the availability of funds:

**A letter of commitment** for the mortgage financing was provided by the applicant from The Northern Trust Company in supplemental information provided by the applicant.

**A letter from The Northern Trust Company** that Winchester Endoscopy, LLC has \$370,000 in an account at the Northern Trust Company to be used for renovation of the proposed ASTC.

**A non binding letter of intent** was provided from **Winchester Medical Building, Ltd** for the lease of 4,166 GSF of space for 10 years with two 5 year renewal options. The letter states in part *“The lease rate will be based upon the Lessor's costs associated with the Subject Property, which shall include but not be limited to debt service on the mortgage, property taxes, and insurance on the Subject Property with a reasonable rate of rate of return. The anticipated annual costs for the Subject Property are projected to be \$140,400.”* **See pages 79-80 of the application for permit for the non binding letter of intent.**

**A transfer and assumption agreement** between Olympus America, Inc. and Northshore Center for Gastroenterology, S.C. (transferee) and Winchester Endoscopy Center S.C. (transferor) was provided by the applicant for the lease of the equipment for the proposed ASTC. **See pages 81-89 of the application for permit for the transfer and assumption agreement and the list of equipment.**

The State Board Staff requested that a commitment letter be provided from applicant for the mortgage financing and a binding letter of intent contingent of the approval of the Illinois Health Facilities and Services Review Board. This information was provided on September 2, 2014. It would appear that sufficient funds are available to fund the project.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 IAC 1120.120)**

**XII. Section 1120.130 - Financial Viability**

**The applicant did not qualify for the financial viability waiver because the project is not being funded from internal sources.**

The applicant is a new entity and did not have historical financial information. Forecasted information was provided by the applicant. This compilation of the forecasted balance sheet, statements of income, and cash flows was performed by PBC Advisors. PBC Advisors stated the following:

*“We have compiled the accompanying forecasted balance sheet, statements of income, retained earnings, and cash flows of Winchester Endoscopy Center for the first two years of operations, in accordance with attestation standards established by the American Institute of Certified Public Accountants.”*

*“We have compiled the accompanying forecasted balance sheet, statements of income, retained earnings, and cash flows of Winchester Endoscopy Center for the first two years of operations, in accordance with attestation standards established by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of a forecast, information that is representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.”*

<b>TABLE SEVEN</b>		
<b>Projected Compiled Financial Information</b>		
	Year 1	Year 2
Cases	4,832	5,074
<b>Projected Income Statement</b>		
Revenues	\$2,347,690	\$2,465,075
Operating Expenses	\$988,489	\$1,016,708
Depreciation	\$0	\$0
Net Income	\$1,359,201	\$1,448,367
<b>Projected Balance Sheet</b>		
Cash	\$248,114	\$234,159
Current Assets	\$541,575	\$542,293
Fixed Assets	\$0	\$0
Total Assets	\$541,575	\$542,293
Current Liabilities	\$82,374	\$84,726
Owners Equity	\$459,201	\$457,567
Total Liabilities & Equity	\$541,575	\$542,293

<b>TABLE EIGHT</b>			
<b>Projected Ratios</b>			
<b>Ratio</b>	<b>Formula</b>	<b>State Standard</b>	<b>Projected Year 2</b>
Current Ratio	Current Assets/Current Liabilities	1.5	8.88
Net Margin	Net Income/Net Operating Revenue	>3.5	55%
Debt to Total Capitalization	Long term Debt/Long Term debt +Net Assets	<80%	23%
Debt Service Coverage	Net Income + Depreciation + Interest/Current Year Principle + Interest	>1.75	7.97
Days Cash on Hand	Cash/ Operating Expenses-Depreciation/365	>45 days	202
Cushion Ratio	Cash/Current Year Principle Interest	>3.0	3.33

The projected information meets the requirements of the State Board. The applicant is estimating a net income of approximately \$1.3 million in Year 1 and \$1.45 million in Year 2 after project completion. Based on the financial information above, the State Board Staff concludes that the immediate and long range capital and operating costs of the project can be met. **See pages 90-98 of the application for permit for the forecasted information.**

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.130)**

**XIII. Section 1120.140 - Economic Feasibility**

**A) Criterion 1120.140 (a) – Reasonableness of Financing Arrangements**

**The applicant shall document the reasonableness of financing arrangements.**

The applicant is proposing to fund this project with cash of \$369,500, a mortgage of \$400,000, and leases with a fair market value of \$1,463,853. The applicant has secured a term loan of \$400,000 from Northern Trust for a period of five years and at an interest rate of 4.83% secured by business assets and the personal guaranty of the members of Winchester Endoscopy, LLC contingent on approval of the State Board. The financing of the project appears reasonable when compared to previously approved projects.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS (77 IAC 1120.140 (a))**

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

**The applicant shall document that the conditions of debt financing are reasonable.**

The applicant is proposing to fund this project with cash of \$369,500, a mortgage of \$400,000, and leases with a fair market value of \$1,463,853. The interest rate is 4.83% on the mortgage financing. The term of the loan is for 5 years secured by the business assets and the personal guaranty of the members of Winchester Endoscopy, LLC. The conditions of the debt financing appear reasonable when compared to previously approved projects.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION CONDITIONS OF DEBT FINANCING (77 IAC 1120.140 (b))**

**C) Criterion 1120.140 (c) - Reasonableness of Project and Related Costs**

**The applicant shall document that the estimated project costs are reasonable.**

**Site Preparation** – These costs are \$30,000 and 5% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 5%

**Modernization Costs and Contingencies** – These costs are \$605,000 or \$145.22 per GSF. This appears reasonable when compared to the State Board Standard of \$264.87 per GSF.

**Contingencies Costs** – These costs are \$50,000 and are 9% of modernization costs. This appears reasonable when compared to the State Board Standard of 10-15%.

**Architectural and Engineering Fees** – These costs are \$42,500 and are 7.02% of modernization and contingencies. This appears reasonable when compared to the State Board Standard of 8.81%-13.23%.

**Consulting Fees** – These costs are \$72,000. The State Board does not have a standard for these costs.

**Movable of Other Equipment** – These costs are \$25,000 and this appears reasonable when compared to the State Board Standard of \$461,631.36 per operating room.

**FMV of Leased Space and Equipment** – These costs are \$1,463,853. The State Board does not have a standard for these costs.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 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 cost means the fully allocated costs of salaries, benefits and supplies for the service.**

The projected operating costs per procedure are \$99.80 per procedure. The operating cost appear reasonable when compared to previously approved projects.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION PROJECTED OPERATING COSTS (77 IAC 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 total effect of project on capital costs per procedure is \$81.39 per procedure. The capital cost appear reasonable when compared to previously approved projects.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.140 (e))**

Health Department and  
Community Health Center

Tony Beltran, MBA  
Executive Director

Primary Care Services  
3010 Grand Avenue  
Waukegan, Illinois 60085  
Phone 847-377-8604  
Fax 847-377-8808



July 1, 2014

14-025

Dr. Arkan Alrashid  
Winchester Endoscopy, LLC  
1870 West Winchester Road  
Libertyville, Illinois 60048

**RECEIVED**

JUL 29 2014

HEALTH FACILITIES &  
SERVICES REVIEW BOARD

**Re: Winchester Endoscopy Center**

Dear Dr. Alrashid:

I am writing on behalf of the Lake County Health Department and Community Health Center Primary Care Services (Lake County Health Department) regarding your proposal to provide endoscopy services to up to 50 patients referred by Lake County Health Department annually.

We understand you plan to establish an endoscopy center providing gastroenterology services in Libertyville and would like to develop a relationship with Lake County Health Department through which we would refer up to 50 patients annually to your surgery center and the professional fees and facility fees would be waived for endoscopic procedures, most importantly colonoscopies and **esophagogastroduodenoscopy (or EGD)** procedures, performed at your surgery center. This arrangement would improve access to colonoscopies and EGDs to low-income, uninsured and underinsured residents in Lake County. Colonoscopies provide the most effective means of screening for colorectal cancer and as a result helps prevent one of the most deadly but most easily preventable diseases in the United States. Through this arrangement, Winchester Endoscopy will improve access for low-income patients to these life-saving services.

While certain protocols would need to be established related to patient confidentiality, referral procedures, information flow, etc., it appears such a relationship would be beneficial to our clients.

We support your efforts to establish an endoscopy center in Libertyville and look forward to formalizing our relationship.

Sincerely,

Jeanne Ang, MCRP  
Director, Primary Care Services  
Lake County Health Department and Community Health  
Center



printed on Recycled paper



**Village President**

Angie Underwood, Chair  
*Administration / Legislation*

July 17, 2014

**Trustees**

Joseph Barry, Chair  
*Finance / Pathways*

Stanley Borys, Chair  
*Environmental / Communications*

Lori Lyman, Chair  
*Economic Development*

John Marshall, Chair  
*Building, Planning & Zoning*

Charles Wachs, Chair  
*Public Works*

George Yaeger, Chair  
*Security / Sustainability*

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Kathryn J. Olson  
Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, Illinois 62761

**Re: Winchester Endoscopy Center (Proj. No. 14-025)**

Dear Chair Olson:

I am the Village President of the Village of Long Grove, and I am pleased to support Winchester Endoscopy, LLC's proposal to establish an endoscopy center in Libertyville. In learning about this project, I was surprised to learn there is only one endoscopy center in Lake County solely dedicated to gastroenterology. Winchester Endoscopy Center will improve access to endoscopic services, most importantly colonoscopies, to residents of Lake County.

Despite being one of the most easily treated diseases, if detected early, colorectal cancer is the third leading cause of cancer-related death in the United States and the second leading cause of cancer related deaths in Illinois. The American Cancer Society estimates 136,830 people will be diagnosed and 50,310 will die from colorectal cancer in 2014. Colonoscopies are the most effective means of screening for colorectal cancer. Current levels of colorectal cancer screening lag behind those of other effective cancer screening tests. In fact, attaining the goals for population colorectal cancer screening could save 18,880 lives per year. By improving access to colorectal cancer screening, Winchester Endoscopy Center will save lives and considerable expense to the health care system by identifying and treating this condition before it develops into a life threatening condition.

One of the reasons endoscopy services have increased is because the payment policies of the Centers for Medicare and Medicaid Services now cover many preventative services including colorectal cancer screening. Given the strong association between having health insurance and being current on colorectal cancer screening, expanding insurance coverage is a vital first step to decreasing

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Kathryn J. Olson  
July 17, 2014  
Page 2

**Village President**

Angie Underwood, Chair  
*Administration / Legislation*

**Trustees**

Joseph Barry, Chair  
*Finance / Pathways*

Stanley Borys, Chair  
*Environmental / Communications*

Lori Lyman, Chair  
*Economic Development*

John Marshall, Chair  
*Building, Planning & Zoning*

Charles Wachs, Chair  
*Public Works*

George Yaeger, Chair  
*Security / Sustainability*

colorectal cancer deaths. From a public health perspective, we still have a long way to go to reach higher screening rates among our population, and I am hopeful the recent implementation of the Patient Protection and Affordable Care Act (ACA) will provide a platform to educate the public on the importance of preventative screening.

Having these procedures performed in a hospital setting would prove more costly, less efficient and less convenient to our residents and the clinical staff. A surgery center dedicated to endoscopy services will allow the referring gastroenterologists to schedule and perform these screening colonoscopies during regular office hours. Further, surgical procedures performed in a surgery center are reimbursed at much lower rates than a hospital setting and result in lower out-of-pocket expenses for patients.

I urge the Illinois Health Facilities and Services Review Board to approve Winchester Endoscopy Center's proposal to establish an endoscopy center in Libertyville.

Sincerely,

Angie Underwood  
Village President  
Village of Long Grove

**Village Administration**

David Lothspeich  
*Village Manager*  
dlothspeich@longgrove.net

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Tel: (847) 634-9440 • Fax: (847) 634-9408  
www.longgrove.net



1125 North Milwaukee Avenue  
Libertyville, Illinois 60048  
Phone 847 377 7200  
Fax 847 377 7250

July 18, 2014

Dr. Arkan Alrashid

Winchester Endoscopy, LLC

1870 West Winchester Road

Libertyville, IL 60048

**RE: Winchester Endoscopy Service Arrangement**

Dear Dr. Alrashid:

I am the Medical Director of Winchester House and I am writing regarding your willingness to provide endoscopy services to residents of Winchester House.

Winchester House is a 200 bed long-term care facility owned and operated by Lake County. As you know, a large number of our residents are low-income. Your proposal to provide endoscopic procedures to residents will improve access to colonoscopies and esophagogastroduodenoscopy (or EGD) procedures for our residents. We understand based on our communications that for these patients, you will waive both the professional fees and facility fees for endoscopic procedures. While Medicare covers colorectal cancer screening as a preventive service, not all of the costs are covered. For example, patients may have to pay for anesthesia or sedation, pathology costs and facility fee, which creates a barrier to screening for low income seniors on a fixed income. Colonoscopies provide the most effective means of screening for colorectal cancer and helps prevent one of the most deadly but most easily preventable diseases in the United States. Through this arrangement, Winchester Endoscopy will improve access to these life-saving services for our residents.

We appreciate the benefit that this proposal will provide to our residents and support your effort to establish an endoscopy center in Libertyville and look forward to formalizing our relationship.

Thank you.

Sincerely,

A handwritten signature in black ink that reads "Mohina Gupta".

Mohina Gupta, MD

(Medical Director, Winchester House)



owned and operated by Lake County Government



*Helping people with developmental disabilities lead productive, happy lives and connecting with the human spirit in us all*

July 9, 2014

Dr. Arkan Alrashid  
Winchester Endoscopy, LLC  
1870 West Winchester Road  
Libertyville, Illinois 60048

RE: Winchester Endoscopy Center Service Arrangement

Dear Dr. Alrashid:

I am the President and CEO of Lambs Farm, a non-profit organization serving adults with developmental disabilities. Since 1961, our mission has been to assist our Participants in leading productive, happy lives. In that capacity, I am writing in response to your proposal to provide endoscopy services to individuals receiving services from Lambs Farm.

At Lambs Farm we strive to maintain a vibrant environment for all of our Participants regardless of age, by providing a full array of residential, vocational, and social/recreational services to some 250 adults with developmental disabilities. As all people with developmental disabilities are living longer and fuller lives, we are challenged with providing support for our older Participants that will allow them to age with the dignity they deserve. We understand you plan to establish an endoscopy center providing gastroenterology services in Libertyville and would like to develop a relationship with Lambs Farm through which we would refer Participants to your endoscopy center. We understand both the professional and facility fees would be waived for endoscopic procedures performed at your center, most importantly colonoscopies and esophagogastroduodenoscopy (or EGD) procedures. This arrangement would improve access to colonoscopies and EGDs for our older Participants, important because colonoscopies provide the most effective means of screening for colorectal cancer and as a result help prevent one of the most deadly but most easily preventable diseases in the United States. Through this arrangement, Winchester Endoscopy will improve access to these life-saving services for our Participants.

The vision of the Lambs Farm Co-Founders of seeing people with developmental disabilities grow into active members of society is continually realized by the men and women of Lambs Farm, and we appreciate your willingness to assist our Participants in achieving and maintaining good health. In that regard, we very much support your efforts to establish an endoscopy center in Libertyville and look forward to formalizing our relationship.

Sincerely,

  
Dianne M. Yaconetti  
President and CEO

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KishHealth System

**CHAIR-ELECT**

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Northwestern Memorial HealthCare

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Hospital Sisters Health System

**Richard Seidler**

UnityPoint Health  
Trinity Regional Health System

**Brenda Wolf**

La Rabida Children's Hospital

July 31, 2014

Ms. Kathryn J. Olson  
Chairwoman  
Illinois Health Facilities and Services Review Board  
525 West Jefferson, 2nd Floor  
Springfield, IL, 62761

Re: Project #14-025

Dear Chairwoman Olson:

The Illinois Hospital Association, which represents more than 200 hospitals and nearly 50 health systems statewide, has a longstanding position of support for the Illinois Health Facilities and Services Review Board and the role it plays. Our primary interest in the Certificate of Need program has been in the overall policy decisions that are made both in the General Assembly and by the Board itself as it develops its regulations.

An important concern of our members is for there to be predictability with respect to the Board's decisions. To this end, it is important for the Board to make decisions that rely upon its own rules.

We call your attention to the application for Project #14-025. This project seeks to establish a limited specialty ambulatory surgery center. Under the Board's rules (77 Ill. Adm. Code 1110.1540 (d)) an applicant seeking to establish an ASTC must document that the proposed project is necessary to accommodate the service demand experienced annually by the applicant, over the latest two-year period, as evidenced by historical and projected referrals. For historical referrals, the applicant must "provide physician referral letters that attest to the physician's total number of treatments for each ASTC service that has been referred to existing IDPH-licensed ASTCs or hospitals located in the GSA during the 12-month period prior to submission of the application." (d)(1). For projected service demand, "Referrals to health care providers other than IDPH-licensed ASTCs or hospitals will not be included in determining projected patient volume." (d)(2)(D). In other words, the rule does not allow physicians to use their office volumes to justify the need for an ASTC, as they attempt to do in this application. The rationale is that if a procedure can be done in a physician's office, the Board should not facilitate collection of a facility fee in addition to the physician fee.

The Review Board recently concluded a long process in rewriting its ASTC regulations. Those regulations adopted just this April reaffirmed the provision that office volumes do not count for referrals for ASTC projects. The IHA has long worked productively with the Review Board on the rule making process. If the

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**AUG 01 2014**

**HEALTH FACILITIES &  
SERVICES REVIEW BOARD**

July 31, 2014

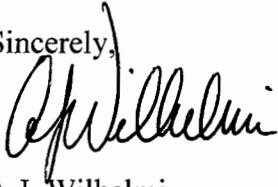
Page 2

Board wished to repeal this rule we would hope that it would do so through the rule making process rather than by selective application of its rules.

IHA appreciates the hard work of the Review Board members in making decisions that shape the health care delivery system in Illinois. We know that sometimes these decisions are difficult ones. However, we did want to underscore this rule, highlight the rationale for it, and respectfully request that the Board follow its rule in this instance.

At an appropriate time, if you have questions, please feel free to contact Barb Haller, Senior Director, Health Policy and Regulation, at 630-276-5474 or via e-mail at [bhaller@ihastaff.org](mailto:bhaller@ihastaff.org).

Sincerely,

A handwritten signature in black ink, appearing to read "A.J. Wilhelmi". The signature is written in a cursive style with a large initial "A" and "W".

A.J. Wilhelmi  
Chief Government Relations Officer



**RECEIVED**  
SEP 18 2014  
HEALTH FACILITIES &  
SERVICES REVIEW BOARD

September 15, 2014

Illinois Health Facilities and Services Review Board  
525 West Jefferson Street – 2<sup>nd</sup> Floor  
Springfield, IL 62761

RE: Project No. 14-025  
Winchester Endoscopy, LLC ASTC

Dear Chairwomen Olson and Board Members:

Some may think it unusual when both the Illinois Hospital Association (IHA) and the ASC Association of Illinois (ASCAI) agree on something but such was the case with SB 3465 passed into law this year and is the case with regard to the above-referenced project now before the Board. IHA wrote to you on July 31, 2014 to encourage adherence to your current rule, at 77 IL Adm. Code 1110.1540(d), that requires an applicant to establish a new ASTC to document the total number of cases previously performed at existing IDPH-licensed hospitals or ASTCs that will be referred to the proposed project (the to-be-established ASTC).

Our Association fully agrees with the IHA's position that cases cannot and should not come from a less restrictive office-based environment and migrate into a more restrictive licensed ASTC setting.

The applicant, Winchester Endoscopy Center, in its Project No. 14-025 application states that the three physician owners of Northshore Center for Gastroenterology located at 1880 West Winchester Road – Suite 201, Libertyville, IL 60084 have been performing endoscopy procedures in their office setting. They seek a CON Permit to establish a single-specialty ASTC (Winchester Endoscopy Center) at 1870 West Winchester Road – Suite 146, Libertyville, IL 60048 where they propose to transfer over 4,000 procedures now performed in their office.

Our Association is concerned that the proposed Winchester Endoscopy Center may already be in operation at the same location as the proposed new ASTC based on a site visit on September 9, 2014 where staff confirmed that GI Endoscopy cases (at least two that day) were being performed at Winchester Endoscopy Center.

Our Association fully supports P.A. 98-214 that states: *"A person or facility not licensed under this Act [the ASTC Licensing Act] or the Hospital Licensing Act shall not hold itself out to the public as a "surgery center" or as a "center for surgery".*

**ASCAI ~ Promoting Excellence 821 N Edinburgh Ct., No. 107 Round Lake, IL 60073**

Our Association supports ASTC's and the value they bring to the healthcare system. That system requires ASTCs to first obtain a valid CON Permit and maintain a valid IDPH ASTC License in order to function as an ASTC and in order to hold themselves out to the public (such as in person or via websites).

Our Association thinks that it may be appropriate for the Board to first conduct a fact-finding investigation before taking any action on the merits of this application. We believe that IDPH should also be urged to conduct its own investigation into this matter.

Respectfully Submitted,  
**ASC Association of Illinois**



Joseph Ollayos  
President



Mark Mayo, CASC  
Executive Director

Cc: Illinois Department of Public Health