STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD
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DOCKET NO: H-06	BOARD MEETING: October 7, 2014	PROJECT NO: 14-033	PROJECT COST: Original: $9,146,426
FACILITY NAME: Hauser Ross Eye Institute Ambulatory Surgery Treatment Center		CITY: Sycamore	
TYPE OF PROJECT: Substantive			HSA: I

DESCRIPTION: The applicant (DeKalb Surgical Services, LLC), is proposing to establish a limited-specialty ambulatory surgical treatment center (ASTC) in Sycamore. The total estimated cost of the project is $9,146,426. **The anticipated project completion date is March 31, 2016.**

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicant is proposing to establish a limited-specialty Ambulatory Surgery Treatment Center (ASTC), in 7,953 GSF of space in DeKalb. The total estimated cost of the project is $9,146,426. **The anticipated project completion date is March 31, 2016.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- To establish a health care facility as defined by Illinois Health Facilities Planning Act.

PURPOSE OF THE PROJECT:

- The purpose of the proposed project is to improve the healthcare and well being of the market area population through the provision of specialized ophthalmologic surgical services in an outpatient setting in DeKalb, Illinois. Ophthalmologic surgical services are currently performed by Hauser-Ross Eye Institute physicians at Kishwaukee Hospital in Dekalb, and Midland Surgical Center, In Sycamore. However, the proposed facility will provide surgical services not performed in the service area that resulted in cases having to be referred to providers outside of the service area. In addition, Otolaryngology surgical services will also be offered, complimentary to the primary service of Ophthalmology.

BACKGROUND:

Hauser-Ross Eye Institute is a newly-formed entity, managed by Dr. Ahmed Abdelsalam, M.D.. Dr Abdelsalam has been Board-certified in Ophthalmology for 14 years, with no sanctions or adverse actions being taken against him. The Hauser-Ross Eye Institute will provide Ophthalmologic surgical services that are currently offered in the service area, and some procedures that are not currently offered to the patient base, requiring referral to service providers outside the service area. In addition, Otolaryngology surgical services will also be offered, complimentary to the primary service of Ophthalmology.

PUBLIC HEARING/COMMENT:

- A public hearing was offered in regard to the proposed project. However, none was accepted. The State Board Staff received letters of support and impact letters regarding this project.

FINANCIAL AND ECONOMIC FEASIBILITY:

- The applicant is funding the project with cash of $710,500 and the Fair Market Value (FMV) of the lease totaling $8,434,925. The applicant did not supply an Audited Financial Statement, but notes the majority of the project funding emanates from the FMV of a 15 year lease.

CONCLUSIONS:

- The applicant addressed 14 criteria and failed to meet the following:

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
1110.1540 (e) – Impact on Other Facilities	9 of the 15 existing ASTC's and 8 of the 11 Hospitals in the proposed service area are not operating at the target occupancy of 1,500 hours per OR, suggesting the proposed project may have a negative impact on these facilities.
1110.1540 (f) – Establishment of New Facility	9 of the 15 existing ASTC's within the proposed service area are underutilized, and 8 of the 11

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
	Hospitals in the proposed service area are not operating at the target occupancy of 1,500 hours per OR.

STATE BOARD STAFF REPORT
Hauser Ross Eye Institute Ambulatory Surgery Center
PROJECT #14-033

APPLICATION CHRONOLOGY	
Applicant	DeKalb Surgical Services, LLC d/b/a Hauser Ross Eye Institute Ambulatory Surgery Center
Facility Name	Hauser Ross Eye Institute Ambulatory Surgery Center
Location	Sycamore, Illinois
Application Received	July 18, 2014
Application Deemed Complete	July 18, 2014
Can Applicant Request a Deferral?	Yes

I. The Proposed Project

The applicant is proposing to construct and establish an ambulatory surgical treatment center in Sycamore. The limited-specialty ASTC will offer Ophthalmologic and Otolaryngologic surgical services. The total estimated cost of the project is $9,146,426. The anticipated project completion date is March 16, 2016.

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 DeKalb Surgical Services, LLC, d/b/a Hauser-Ross Institute. DeKalb Surgical Services is wholly owned by Ahmed Abdelsalarn, M.D. and is an Illinois Limited Liability Company organized June 12, 2014. The applicant proposes to establish a limited specialty Ambulatory Surgery Treatment Center (ASTC) in 7,953 GSF of space in Sycamore.

The proposed ASTC will be located at in a newly developed professional park in Sycamore, Illinois in the HSA I and the B-04 planning area. HSA 1 is comprised of the Illinois Counties of Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside, and Winnebago. Health Planning Area B-04 is comprised Ogle, Lee, and DeKalb Counties; DeKalb County Townships of Paw Paw, Victor, Somonauk, Sandwich, Shabbona, Clinton, Squaw Grove, Milan, Afton, Pierce, Malta, DeKalb, Cortland, Mayfield, South Grove, and Sycamore; Ogle County Townships of Flagg Dement, and Lee County Townships of Reynolds, Alto, Viola, Willow Creek, Brooklyn, and Wyoming.

The operating entity is Hauser Ross Eye Institute, and SASS Real Property Investments, LLC is the site owner. There is no land acquisition cost for this project. The estimated start-up costs/operating deficit for this project is $432,153. This is a substantive project subject to a Part 1110 and Part 1120 review. Project obligation will occur after permit issuance.

IV. Summary of Support and Opposition Letters

A public hearing was offered regarding this project, but none was requested or scheduled. The project file contains two support letters, and three impact letters. Board Staff notes that Kishwaukee Community Hospital, the majority owner of Midland Surgical Center, Sycamore, has furnished a letter of support for the proposed project.

V. The Proposed Project - Details

This project proposes to establish a limited-specialty ASTC in 7,953 GSF of leased space, in a newly developed professional park between Sycamore and DeKalb, Illinois. The ASTC will contain four operating rooms with twelve associated recovery stations. The ASTC will specialize in offering Ophthalmologic surgical services, with Otolaryngology surgery complimentary to the primary surgical specialty. The facility will consist of new construction, and the project cost is $9,146,426.

VI. Project Costs and Sources of Funds

The applicant is funding this project with cash and securities of $710,500 and the Fair Market Value (FMV) of the lease totaling $8,434,925. Table One identifies the project costs, and delineates the clinical costs from non-clinical costs. Clinical costs are the only costs considered when determining adherence to State Board standards.

TABLE ONE
Project Costs and Sources of Funds

USE OF FUNDS			
	CLINICAL	**NONCLINICAL**	**TOTAL**
New Construction Contracts	$0	$0	$0
Modernization Contracts	$0	$0	$0
Contingencies	$0	$0	$0
Architectural/Engineering Fees	$43,665	$17,835	$61,500
Movable or Other Equipment	$500,000	$150,000	$650,000
Fair Market Value of Leased Space/Equipment*	$5,904,448	$2,530,478	$8,434,926
TOTAL USES OF FUNDS	**$6,072,283**	**$3,074,143**	**$9,146,426**
SOURCE OF FUNDS			
	CLINICAL	**NONCLINICAL**	**TOTAL**
Cash and Securities	$543,065	$167,835	$710,000
Fair Market Value of Lease	$5,904,448	$2,530,477	$8,434,925

TABLE ONE Project Costs and Sources of Funds			
USE OF FUNDS			
	CLINICAL	**NONCLINICAL**	**TOTAL**
TOTAL SOURCES OF FUNDS	**$6,072,283**	**$3,074,143**	**$9,146,426**
*Applicant is Leasing. Modernization and related costs factored into the Fair Market Value of Lease			

VII. Cost Space Chart

The applicant is proposing 5,631 GSF in clinical space and 2,322 GSF in non clinical space, for a total of 7,953 GSF of newly constructed space. Board Staff notes only the clinical space is considered when compared to State Board standards.

TABLE TWO Cost Space Chart							
Department	**Project Costs**	**Existing**	**Proposed**	**New Construction**	**Remodeled**	**As Is**	**Vacated Space**
Clinical							
Ambulatory Surgery/Recovery	$6,072,283	0	5,631	5,631	0	0	0
Clinical	**$6,072,283**	**0**	**5,631**	**5,631**	**0**	**0**	**0**
Non Clinical							
Registration/Waiting/Admin.	$3,074,143	0	2,322	2,322	0	0	0
Non Clinical	**$3,074,143**	**0**	**2,322**	**2,322**	**0**	**0**	**0**
Total	**$9,146,426**	**0**	**7,953**	**7,953**	**0**	**0**	**0**

VIII. Safety Net Impact Statement

Hauser Ross Eye Institute is a newly formed entity, with physicians referring patients from their existing patient base. There is no historical data to report for this criterion. The applicant notes the proposed project will not impact safety net services, and due to the specialty surgical services offered, will not impact services at existing facilities.

TABLE THREE SAFETY NET INFORMATION Hauser Ross Eye Institute ASTC			
NET REVENUE	**N/A**	**N/A**	**N/A**
CHARITY CARE			
	2011	**2012**	**2013**
Charity (# of self-pay patients)			
Inpatient	N/A	N/A	N/A
Outpatient	N/A	N/A	N/A
Total	N/A	N/A	N/A

TABLE THREE			
SAFETY NET INFORMATION Hauser Ross Eye Institute ASTC			
Charity Costs			
Inpatient	N/A	N/A	N/A
Outpatient	N/A	N/A	N/A
Total	N/A	N/A	N/A
% of Charity Costs to Net Revenue	N/A	N/A	N/A
MEDICAID			
	2011	**2012**	**2013**
Medicaid (Patients)			
Inpatient	N/A	N/A	N/A
Outpatient	N/A	1,771	3,212
Total	N/A	1,771	3,212
Medicaid (Revenue)			
Inpatient	N/A	N/A	N/A
Outpatient	N/A	1.67	1.77
Total	N/A	1.67	1.77

IX. Section 1110.230 - Project Purpose, Background and Alternatives

A) Criterion 1110.230 - 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 applicant shall define the planning area or market area, or other, per the applicant's definition.

The applicant states the proposed project will improve the health care or well-being of the market area population by providing additional surgical space and additional surgical services to the service area. Currently, the physicians of Hauser Ross Eye Institute perform their surgeries at Kishwaukee Community Hospital (DeKalb), or Midland Surgical Center (Sycamore). The applicant notes over time the surgical scheduling at these two facilities has increased, making it increasingly difficult for Hauser Ross physicians to obtain surgical time for their patients. The applicant also notes these two facilities lack the infrastructure to accommodate the following surgical services: Retina Surgery, Advanced Cataract, and Advanced Bleed-Free Refracture Surgery. The applicant notes having had to refer 157 retinal cases to facilities outside the service area in the last 12 months. It is the goal of the applicant to establish a facility that possesses the capability to offer and perform the noted procedures, sparing the patient population from undue travel.

B) Criterion 1110.230 - Background of Applicant

An applicant must demonstrate that it is fit, willing and able, and *has the qualifications, background and character, to adequately provide a proper standard of health care service for the community.*

The applicant provided a list of all health care facilities currently owned and/or operated by them, including licensing, certification and accreditation identification numbers, a certified listing from the applicant of any adverse action taken against any facility owned and/or operated by the applicants during the three years prior to the filing of the application, and authorization permitting IHFSRB and the Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted.

The applicant attests to not having ownership interest in any healthcare facilities as defined by the State Board, and supplied a notarized attestation that no adverse actions have been taken against the applicant during the three years prior to the filing of the application, and authorization permitting IHFSRB and the Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted.

C) Criterion 1110.230 - 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.

The applicant considered the following alternatives:

1. Do Nothing/Utilize Other Providers

The applicant notes the option of doing nothing/utilizing other providers is an unacceptable option, and would leave the patient population of Hauser Ross Eye Center in its present state with restricted access to optimal surgical procedures and surgical times. The applicant identified no cost with this option.

2. Surgery Center with Less than Four Surgical Suites/Project of Lesser Scope

The applicant notes having contemplated a two-room surgical center, performing Ophthalmologic services only. However, this option was summarily rejected, due to the current patient and surgery base, which requires a minimum 4-suite facility. The applicant considered eliminating the offering of Otolaryngology surgery, but rejected this option, noting the complimentary nature of this surgical specialty to Ophthalmology. While the proposed option presented a much smaller cost ($6,000,000), the applicants chose to reject this option, based on the imminent need for the proposed surgical services.

3. Surgery Center with More Suites and More Surgical Specialties

The applicant rejected this option, due to the lack of need for a surgery center larger than the facility proposed. The applicant notes the goal to of operating an appropriately sized and staffed surgical center in the immediate service area, offering services not currently available. The applicant notes a project of larger stature would result in duplicative services, and the project cost would be significantly higher at approximately $11,500,000.

3. Pursue Joint Venture

The applicant attempted to form a joint venture with Kishwaukee Community Hospital and Midland Surgery Center, but was rejected. The applicant notes an interest in allowing a joint venture with these facilities in the future, but notes it must develop itself as a state of the art Ophthalmologic/Otolaryngologic surgery center before offering a group affiliation agreement. The applicant identified a project cost similar to the project cost of the option chosen.

The applicant believes that the proposed project is the least costly alternative and meets the needs of the geographical service area.

X. 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.

The applicant is proposing 5,631 GSF for the clinical portion of the ASTC, allocation 1,407 GSF per surgical suite. This conforms with the State Board Standard for an ASTC in regard to surgical space. Table Four illustrates the entire spatial allotment, with specific consideration to clinical spatial allocations.

TABLE FOUR
Size of Project

	Number of Surgery Suites Recovery Stations	Sg. Ft. / Unit	Total DGSF
Clinical Space Allocation			
Surgical Operating Suite (Class C)	4	1,407	5,631
Recovery	12		
Total allowable DGSF			**11,000 DGSF**

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF THE PROJECT CRITERION (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.

The applicant supplied historical utilization data and anticipates approximately 3,493 procedures annually in the first and second years after project completion. Having estimated 1.5 hours per procedure, these data justify the need for four surgical suites. The applicant supplied a patient referral letter for Dr. Ahmed Abdelsalam, M.D.(application, p. 94), attesting to having performed a total of 3,463 procedures in the last year, and a commitment to refer a similar number of patients at minimum, to the proposed facility, upon project completion. The application also contains a referral letter from Dr. Daniel Kurtzman, M.D.(application, p. 96), attesting to having performed otolaryngology surgical procedures complimentary to Dr Abdelsalam in the past, and committing to perform 30 identical surgical procedures at the proposed facility, upon project completion.

TABLE FIVE
Projected Services Utilization

Dept./Service	Utilization	State Standard	Number of Rooms Justified	Met Standard
Projected ASTC				
Surgery (4 rooms)	5,239 hours	1,500 hours	4 rooms	Yes
Recovery	N/A	N/A	12 rooms	Yes

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT SERVICES UTILIZATION CRITERION (77 IAC 1110.234 (b))

C) Criterion 1110.234 (e) - Assurances
The applicant shall submit the following:

1) The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the end of the second year of operation after the project completion, the applicant will meet or exceed the utilization standards specified in Appendix B.

Based on the referral letters the applicant attest that by the second year of the ASTC operation, after project completion, Hauser Ross Eye Institute Ambulatory Surgery Center will meet or exceed the utilization standards in Section 1110 - Appendix B.

The applicant has attested to meeting the required occupancy standards by its second year of operation, and has supplied a notarized statement on page 98 of the application.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ASSURANCES CRITERION (77 IAC 1110.234 (e))

XI. Section 1110.1540 - Non-Hospital Based Ambulatory Surgery

A) Criterion 1110.1540 (a) - Scope of Services Provided

Any applicant proposing to establish a non-hospital based ambulatory surgical category of service must detail the surgical specialties that will be provided by the proposed project and whether the project will result in a limited specialty or multi-specialty ambulatory surgical treatment center (ASTC).

The applicant, Hauser Ross Eye Institute, proposes to establish Hauser Ross Eye Institute Ambulatory Surgery Center, a limited specialty ASTC, in Sycamore. The ASTC will perform Ophthalmological surgery and Otolaryngology surgery as a complementary procedure, when needed. The applicant has met this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SCOPE OF SERVICES PROVIDED CRITERION (77 IAC 1110.1540 (a))

B) Criterion 1110.1540 (b) - Target Population

Because of the nature of ambulatory surgical treatment, the State Board has not established geographic services areas for assessing need. Therefore, an applicant must define its intended geographic service area and target population. However, the intended geographic service area shall be no less than 30 minutes and no greater than 60 minutes travel time (under normal driving conditions) from the facility's site.

The applicant has defined their geographical service area as 45 minutes in all directions. The applicant has met this criterion. (See page 121 of the application for permit)

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TARGET POPULATION CRITERION (77 IAC 1110.1540 (b))

C) Criterion 1110.1540(c) - Projected Patient Volume

The applicant must provide documentation of the projected patient volume for each specialty to be offered at the proposed facility

The applicant proposes to establish a limited-specialty ASTC, providing Ophthalmologic and Otolaryngology surgical services. Previously, the applicant performed these procedures at Kishwaukee Community Hospital (DeKalb), and Midland Surgical Center (Sycamore), but reported scheduling difficulties for patients at both facilities. The applicant supplied two referral letters (application, pgs. 94-97), attesting to the referral of 3,493 patients to the ASTC annually, within two years of project completion. The applicant has met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED PATIENT VOLUME CRITERION (77 IAC 1110.1540 (c))

D) Criterion 1110.1540 (d) - Treatment Room Need Assessment

Each applicant proposing to establish or modernize a non-hospital based ambulatory surgery category of service must document that the proposed number of operating rooms are needed to serve the projected patient volume.

The applicant (Hauser Ross Eye Institute Ambulatory Surgery Center) proposes to establish a limited specialty ASTC containing 4 surgical suites and 12 recovery stations, in 7,953 GSF of space, in Sycamore. The applicant estimates each procedure to last approximately 1.5 hours (including prep and clean-up), and proposes to perform 3,493 surgical cases annually, within two years after project completion. Table Six illustrates the applicants treatment room need assessment, which supports the need for four surgical suites, and results in a positive finding for this criterion.

TABLE SIX			
Estimated Time per Procedure at the Proposed Facility			
Specialty	**Referred Cases**	**Average Hours/Case**	**Average Total Hours**
Ophthalmology	3,463	1.5	5,194
Otolaryngology	30	1.5	45
Total	**3,493**	**1.5**	**5,239**

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TREATMENT ROOM NEED ASSESSMENT CRITERION (77 IAC 1110.1540 (d))

E) Criterion 1110.1540 (e) - Impact on Other Facilities
An applicant proposing to change the specialties offered at an existing ASTC or proposing to establish an ASTC must document the impact the proposal will have on the outpatient surgical capacity of all other existing ASTCs and

hospitals within the intended geographic service area and that the proposed project will not result in an unnecessary duplication of services or facilities.

There are 11 hospitals and 15 ASTC's within proposed service area (45 minutes in all directions). Of the 11 hospitals 9 (81.8%) have not me the State Board Standard of 1,500 hours per OR. Of the 15 ASTCs' 10 (66.6%) are not operating at the State Board's Target Occupancy of 1,500 hours. Board Staff has determined that of the 15 ASTCs listed in Table Seven, seven do not perform Ophthalmologic surgical procedures. Regardless, it appears that the proposed ASTC will have an impact on other area providers.

TABLE SEVEN
Hospitals and ASTC's within the Proposed Geographical Service Area (45 minutes)

Hospitals	City	Minutes	Operating Rooms	2012 Outpatient Cases	2012 Total Hours of Surgery	# of OR's Justified	Met Standard
Kishwaukee Community Hospital	DeKalb	1	7	2,524	4,196	3	No
Rochelle Community Hospital	Rochelle	29	2	642	1,739	2	Yes
Swedish American Medical Center	Belvidere	26	2	368	502	1	Yes
Delnor Community Hospital	Geneva	31	9	3,134	9,531	7	No
Presence Mercy Center	Aurora	32	12	2,090	5,366	4	No
Valley West Community Hospital	Sandwich	35	4	777	2,907	2	No
Presence Saint Joseph Hospital	Elgin	36	10	3,311	6,063	5	No
Centegra Hospital-Huntley	Huntley	41	N/A	N/A	N/A	N/A	N/A
Sherman Hospital	Elgin	44	16	9,177	9,885	7	No
Rush Copley Memorial Hospital	Aurora	45	11	6,093	10,746	8	No
Saint Anthony Medical Center	Rockford	45	15	4,940	8,834	6	No
ASTC's	**City**	**Minutes**	**Operating Rooms**	**2012 Outpatient Surgeries**	**2012 Total Hours of Surgery**	**# of OR's Justified**	**Met Standard**
Midland Surgery Center	Sycamore	1	2	3,116	2,331	2	Yes
Valley Ambulatory Surgery Center	St. Charles	20	7	5,238	4,795	4	No
Tri-Cities Surgery Center	Geneva	31	3	1,290	1,430	1	No
Fox Valley Orthopedic Associates#	Geneva	33	4	3,027	4,496	3	No
Dreyer Ambulatory Surgery Center	Aurora	33	4	3,328	2,533	2	No
Elgin Gastroenterology Endoscopy Ctr.*#	Elgin	37	2	3,747	4,060	3	Yes
Cadence Ambulatory Surgery Ctr. #	Warrenville	40	4	3,340	3,995	3	No
Naperville Fertility Center#	Naperville	41	N/A	N/A	N/A	N/A	N/A
The Center for Surgery	Naperville	42	8	4,794	4,083	3	No
Kendall Pointe Surgery Center	Oswego	42	3	1,056	1,314	1	No
Lisle Center for Pain Management	Lisle	44	N/A	N/A	N/A	N/A	N/A
Rockford Endoscopy Center*#	Rockford	44	4	12,854	12,853	9	Yes
Castle Surgicenter, LLC#	Aurora	45	2	1,488	1,655	2	Yes

TABLE SEVEN Hospitals and ASTC's within the Proposed Geographical Service Area (45 minutes)							
Rockford Orthopaedic Surgery Ctr.#	Rockford	45	2	2,415	2,769	2	Yes
Rockford Ambulatory Surgery Ctr.	Rockford	45	5	4,601	5,568	4	No

Minutes determined by MapQuest and adjusted per 1100.510 (d)
Utilization data taken from 2012 Hospital and ASTC Profile Information
State Standard is 1,500 Hours per Operating Room.
*Endoscopy Center with Procedure Rooms/Procedure Hours
Does not perform Ophthalmologic surgical procedures

Of the three impact letters sent regarding the proposed project, only one appears to indicate their being a negative impact on an existing health care facility. Steven Glasgow, President of Midland Surgical Center, noted that the approval of project #14-033 would result in the loss of half of its total caseload. However, KishHealth System, majority owner of Midland Surgical Center, has sent a letter of support for the proposed project. Board Staff identified 11 hospitals and 15 ASTC in the service area. Using data from the 2012 ASTC Profile and the 2013 Hospital profile, it was determined that 9 (60%) of the 15 ASTCs and 8 (72.7%) of the 11 hospitals have underutilized outpatient surgical services. Due to these underutilized facilities, a negative finding has been made.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES <u>NOT</u> APPEAR TO BE IN CONFORMANCE WITH IMPACT ON OTHER FACILITIES CRITERION (77 IAC 1110.1540 (e))

F) Criterion 1110.1540 (f) - Establishment of New Facilities
Any applicant proposing to establish an ambulatory surgical treatment center will be approved only if one of the following conditions exists:

1) There are no other ASTCs within the intended geographic service area of the proposed project under normal driving conditions; or

2) All of the other ASTCs and hospital equivalent outpatient surgery rooms within the intended geographic service area are utilized at or above the 80% occupancy target; or

3) The applicant can document that the facility is necessary to improve access to care. Documentation shall consist of evidence that the facility will be providing services which are not currently available in the geographic service area, or that existing underutilized services in the geographic service area have restrictive admission policies; or

4) The proposed project is a co-operative venture sponsored by two or more persons at least one of which operates an existing hospital. The applicant must document:

A) that the existing hospital is currently providing outpatient surgery services to the target population of the geographic service area;

B) that the existing hospital has sufficient historical workload to justify the number of operating rooms at the existing hospital and at the proposed ASTC based upon the Treatment Room Need Assessment methodology of subsection (d) of this Section;

C) that the existing hospital agrees not to increase its operating room capacity until such time as the proposed project's operating rooms are operating at or above the target utilization rate for a period of twelve full months; and

D) that the proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

9 of the 15 existing ASTC's within the proposed service area are underutilized, and 8 of the 11 Hospitals in the proposed service area are not operating at the target occupancy of 1,500 hours per OR. The applicant proposes to provide retina surgery, advanced cataract, and advanced bleed free refracture surgery, and believes these modalities are necessary to improve access to care. The applicant believes the establishment of the new ASTC is justified based upon the fact that these surgical procedures will be provided exclusively at the proposed surgery center. The applicant notes Kishwaukee Community Hospital and Midland Surgical Center, two of the closest facilities, do not possess the necessary equipment, nor will they invest in the necessary equipment needed to perform the noted specialized surgical services. However, evidence exists that there are underutilized facilities in the planning area, resulting in a negative finding for this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES <u>NOT</u> APPEAR TO BE IN CONFORMANCE WITH ESTABLISHMENT OF NEW FACILITIES CRITERION (77 IAC 1110.1540 (f))

G) Criterion 1110.1540 (g) - Charge Commitment

In order to meet the purposes of the Act which are to *improve the financial ability of the public to obtain necessary health services and to establish a procedure designed to reverse the trends of increasing costs of health care,* the applicant shall include all charges except for any professional fee (physician charge). [20 ILCS 3960/2] The applicant must provide 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 a list of procedures to be performed at the proposed ASTC, to include the appropriate CPT/HCPS code and applicable charge for each

service (See page 128 of the application for permit). The applicant has also provided a commitment letter to maintain the procedure costs at their present level for the first two years after project completion. The applicant has met the requirements of this criterion.

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

XII. 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 funding the project internally, with $710,500 in cash and securities, and the Fair Market Value (FMV) of the lease totaling $8,434, 925. The applicant has met the requirements of this criterion.

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

XIII. Section 1120.130 - Financial Viability

The applicant must provide documentation that the applicant is financially viable.

The applicant is funding the project internally, with $710,500 in cash and securities, and the Fair Market Value (FMV) of the lease totaling $8,434, 925. The applicant has met the requirements of this criterion.

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

XIV. 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 funding the project internally, with $710,500 in cash and securities, and the Fair Market Value (FMV) of the lease totaling $8,434, 925. The applicant has met the requirements of this criterion.

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

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

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable. The applicant will expend cash reserves totaling $710,500, and has allocated $8,434,925 through the Fair Market Value of a 15 year lease as its debt instrument for the proposed project. No traditional debt financing will occur.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TERMS OF DEBT FINANCING CRITERION (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 and shall document compliance with the State Board Standards. Board Staff notes the construction costs, and other costs related to construction were assumed by the landlord, and factored into the 15 year lease.

Architectural and Engineering Fees – These costs are $43,665. Because the construction and construction related costs were factored into the lease, a cost determinant could not be calculated to compare against the State Board Standard.

Consulting and Other Fees – These costs are $41,800. The State Board does not have a standard for these costs.

Movable or Other Equipment – These costs are $500,000 or $125,000 per room. This appears reasonable when compared to the State Board Standard of $435,131.

Fair Market Value of Leased Space or Equipment – These costs are $5,904,448. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (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 cost per equivalent patient day is $614.00. The applicant has met this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS CRITERION (77 IAC 1120.140 (d))

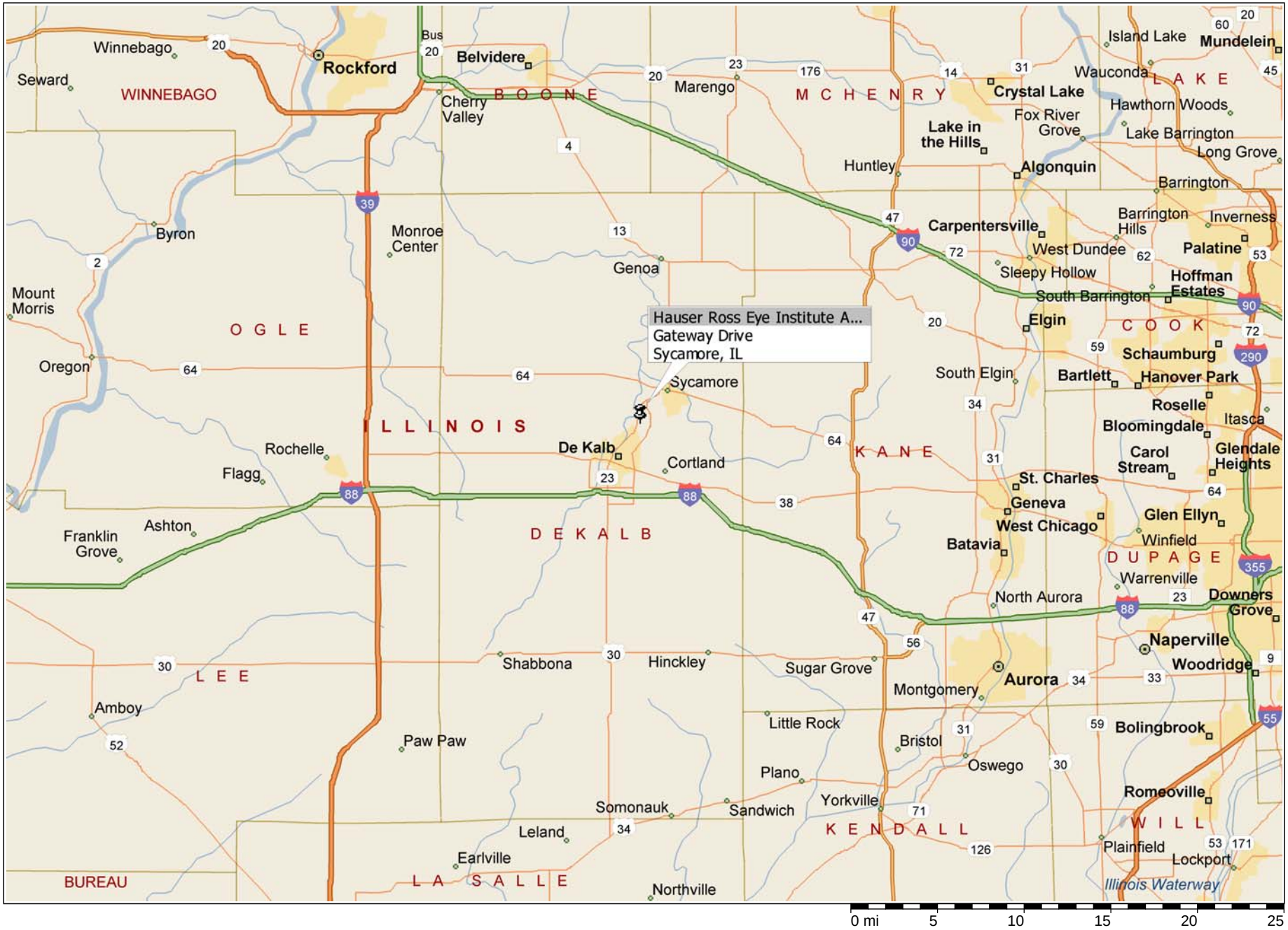
E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs

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 the project on capital costs is $663.00 per patient day. The applicant has met this criterion.

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

14-033 Hauser Ross Eye Institute ASTC - Sycamore



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