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VIA ELECTRONIC AND OVERNIGHT MAIL

May 4, 2015

Ms. Courtney Avery
Administrator
Illinois Health Facilities & Services Review Board
525 W. Jefferson Street, 2nd Floor
Springfield, IL 62761

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MAY 05 2015

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Re: Modification to Project 15-005/Presence Lakeshore Gastroenterology

Dear Ms. Avery:

On behalf of the applicants Presence Lakeshore Gastroenterology and Presence Health, I am submitting this Type B modification pursuant to 77 IAC 1130.650. The modification decreases the project costs, due to a change in the modernization costs.

The proposed ambulatory surgery center is 3,417 gross square feet. Adjacent to it will be space where Dr. Mahdavian's practice will be located. The project modernization costs originally submitted (\$1,050,000.00 total) included the modernization of both the physician office practice and the ambulatory surgery space. This resulted in the clinical modernization costs submitted to be \$735,000.00. This was an error. The only relevant costs are those of the ambulatory surgery center. The current modernization cost for the ambulatory surgery center clinical space is \$701,625.00 with the clinical costs being \$549,000.00, resulting in a cost per gross square foot of \$250.00, which is lower than the state standard of \$264.87. Accordingly, the project costs and sources of funds page (page 5) of the application is modified as attached hereto. We have also modified attachment nine and other affected pages and enclose them.

In addition, we are submitting a modified charge commitment page showing the current hospital charges for the procedures to be done at the proposed ambulatory surgery center, and the proposed charges for the ambulatory surgery center. While the charges have not change from what was previously submitted, the charge information is more clear, and does not include miscellaneous information relating to charges that some board members found confusing.

We also enclose an attestation from Dr. Mahdavian regarding his current practice's payer mix and a commitment, as attested to by the ambulatory surgery center administrator, that the surgery center will see all patients, regardless of ability to pay and that Medicaid and charity care

U.S. practice conducted through McDermott Will & Emery LLP.

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patients will not have any issues scheduling surgeries and/or be made to wait for surgical services longer than commercial pay patients.

Lastly, we enclose information regarding the increase in procedures referred by Dr. Mahdavian's practice over a three-year period on a percentage per year basis. If this growth continues at the same rate, two years after the project completion date (end of 2017) the number of procedures referred by Dr. Mahdavian not only supports the proposed ambulatory surgery center, but also mitigates any impact on other area facilities where Dr. Mahdavian refers patients. In addition, Dr. Mahdavian added a physician to his practice on April 20, 2015 and is in the process of recruiting another physician. This organic practice growth will only increase the number of referrals of surgical cases, which again mitigates any negative impact on other area facilities that offer gastroenterology procedures.

Thank you. We look forward to the Board's consideration of this project at its June 2, 2015 meeting.

Very truly yours,



Clare Connor Ranalli

cc: Shawn Albritton
Pam Bell
Jeannie Frey

Description	Code	ASTC Charge	Hospital charge
Balloon Dilatation > 30mm	43233	\$2,250	\$2,950.00
EGD	43235	\$2,150	\$2,950.00
InjIBotx	43236	\$2,250	\$2,950.00
Biopsy	43239	\$2,250	\$2,950.00
Tube Insert	43241	\$2,250	\$2,950.00
Variceal Sclerosis	43243	\$2,250	\$2,950.00
Band Ligation	43244	\$2,250	\$2,950.00
G Tube Placement	43246	\$2,450	\$2,950.00
Removal of foreign body	43247	\$2,650	\$2,950.00
Balloon Dilatation <30mm	43249	\$2,200	\$2,950.00
Hot Biopsy	43250	\$2,200	\$2,950.00
Snare	43251	\$2,200	\$2,950.00
Control Bleeding	43255	\$2,200	\$2,950.00
Ablation	43258	\$2,300	
Flexible Sigmoidoscopy	45330	\$2,010	\$2,950.00
Removal of Foreign Body	45331	\$2,010	\$2,950.00
Snare	45332	\$2,050	\$2,950.00
Hot Biopsy	45333	\$2,050	\$2,950.00
Control Bleeding	45334	\$2,050	\$2,950.00
Sigmoidoscopy w submucing	45335	\$2,050	\$2,950.00
Sigmoidoscopy wi removal of tumor	45338	\$2,050	\$2,950.00
Sigmoidoscopy wi balloon dilatation	45340	\$2,050	\$2,950.00
Ablation	45339	\$2,550	
Colonscopy	45378	\$2,450	\$2,950.00
InjIBotx	45381	\$2,550	\$2,950.00
Biopsy	45380	\$2,550	\$2,950.00
Control Bleeding	45382	\$2,550	\$2,950.00
Ablation	45383	\$2,450	
Removal of Foreign Body	45379	\$2,550	\$2,950.00
Hot Biopsy	45384	\$2,450	\$2,950.00
Snare	45385	\$2,450	\$2,950.00
Colonscopy wldilatation	45386	\$2,450	\$2,950.00
Ligation of Hemorrhoid	46221	\$2,450	\$2,950.00
Hemorrhoidectomy Ligation; Single	46945	\$2,650	\$2,950.00
Hemorrhoidectomy Ligation; Qty >2	46946	\$2,650	\$2,950.00

2. Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

The applicants propose establishing an ambulatory surgery center ("ASC") located in the Medical Office Building adjacent to Presence Holy Family Medical Center ("PHFMC"). Currently, PHFMC has 2 dedicated endoscopy procedure rooms, and upon establishment of the ASC (when it is certified to treat patients) these procedure rooms will no longer be used for endoscopy procedures. The intended use for the space to be vacated is ophthalmology procedure rooms. The proposed ASC will be a limited specialty ASC with two procedure rooms dedicated solely to performing endoscopy procedures. PHFMC will operate the ASC as a joint venture with 51% ownership, and the remaining 49% ownership will be held by Lakeshore Gastroenterology and Liver Disease Institute, S.C. The ASC will be operated in leased space and the total cost of the project is \$2,898,522.70.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts	\$549,000.00	\$152,625.00	\$701,625.00
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)	\$828,929.00	\$381,729.00	\$1,210,658.00
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	\$690,367.85	\$295,871.93	\$986,239.78
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$2,068,296.80	\$830,225.93	\$2,898,522.70
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$2,068,296.80	\$830,225.93	\$2,898,522.70
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$2,068,296.80	\$830,225.93	\$2,898,522.70
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

TO BE CHANGED

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application):

- Section 1120.120 Availability of Funds – Review Criteria
- Section 1120.130 Financial Viability – Review Criteria
- Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)

VIII. - 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 from the following sources, as applicable: **Indicate the dollar amount to be provided from the following sources:**

X	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: <ol style="list-style-type: none"> 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
_____	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: <ol style="list-style-type: none"> 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
_____	e)	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_____	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$2,898,522.70	TOTAL FUNDS AVAILABLE	

APPEND DOCUMENTATION AS ATTACHMENT-36, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Cost Space Requirements

Reviewable		GSF	Amount of Proposed Total GSF that is:			
<u>Dept.</u>	<u>Cost</u>	<u>Prop.</u>	<u>New Cust.</u>	<u>Mod.</u>	<u>As Is</u>	<u>Vacated</u>
Ambulatory Surgery	\$2,068,296.80	2,196	0	2,196	0	0
Non Reviewable		GSF	Amount of Proposed Cost That is:			
<u>Dept.</u>	<u>Cost</u>	<u>Prop.</u>	<u>New Cust.</u>	<u>Mod.</u>	<u>As Is</u>	<u>Vacated</u>
Registration/ Waiting/ Admin	\$830,225.93	1,221	0	1,221	0	0
Total ASC	\$2,898,522.70	3,417	0	3,417	0	0

Cost Per GSF for the Reviewable Modernization (Clinical) Portion of the Project is \$549,000.00 or \$250 per GSF*.

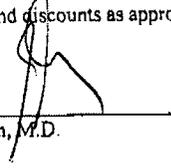
The costs for this project include the FMV of leased space, the FMV of leased equipment and the purchase price of movable equipment.

*Includes all equipment cost.

May. 4. 2015 1:10PM

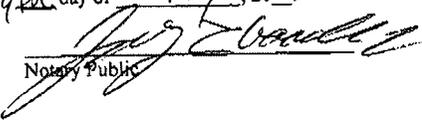
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No. 0399 P. 8/11

I, Mani Mahdavian, do hereby attest that 5% of my practice's patients are Medicaid recipients, 36% Medicare and 5% Tricare. In addition our practice sees self-pay patients and will work on payment plans and discounts as appropriate.

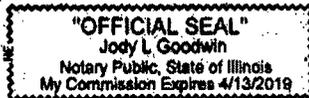


Mani Mahdavian, M.D.

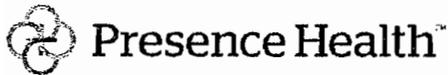
Subscribed and sworn to before me this
4th day of May, 2015



Notary Public



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January 29, 2015

Presence Lakeshore GI Endoscopy
150 River Road
Suite 110
Des Plaines, IL 60016

**RE: Endoscopy Suite
150 RIVER ROAD
DES PLAINES, ILLINOIS**

The following is the "Letter of Intent" outlining the terms upon which Presence Healthcare Services ("Landlord") is willing to enter into a lease (the "Lease") with Presence Lakeshore GI Endoscopy. Once this Letter of Intent is signed, we will finalize on the design and begin construction. The Lease will be created upon approval of the drawings and delivered to you for execution.

PREMISES: Tenant shall lease approximately 3417 rentable square feet located at 150 River Road, Des Plaines, IL. The actual square footage may change based on the approved design and will be reflected in the Lease.

LEASE COMMENCEMENT DATE: The later of (i) Substantial Completion of Building Standard Leasehold Improvements or (ii) December 1, 2015.

TERM: Ten (10) Year

BASE RENT: \$28.00 per Rentable Square Foot, for the First Five Years of the Lease.

RENT ESCALATIONS: Base Rent shall escalate by 2% annually in years 6 – 10.



Month of Term	Lease Year Payments	Monthly Payment
12/1/15 – 11/30/16	\$95,676.00	\$7,973.00
12/1/16 – 11/30/17	\$95,676.00	\$7,973.00
12/1/17 – 11/30/18	\$95,676.00	\$7,973.00
12/1/18 – 11/30/19	\$95,676.00	\$7,973.00
12/1/19 – 11/30/20	\$95,676.00	\$7,973.00
12/1/20 – 11/30/21	\$97,589.52	\$8,132.46
12/1/21 – 11/30/22	\$99,541.31	\$8,295.11
12/1/22 – 11/30/23	\$101,532.14	\$8,461.01
12/1/23 – 11/30/24	\$103,562.78	\$8,630.23
12/1/24 – 11/30/25	\$105,634.04	\$8,802.84

BUILDING TAXES AND OPERATING EXPENSES:

Tenant shall pay its Proportionate Share of Taxes over a 2014 Base Year; Tenant shall pay for its own utilities, Hazardous Waste disposal and telephone/data, as more fully set forth in the Lease. Tenant shall not be charged CAM charges.

TENANT IMPROVEMENTS/ CONSTRUCTION COST

The Premises will be delivered per the approved drawings in accordance with the "Building Standards" as indicated in Exhibit B "Building Standard Leasehold Improvements" attached to the Lease and shall include the "turnkey" build out of the Initial Premises per drawings approved by Landlord and Tenant. Building Standards do not include providing the art work, decorations, furniture, equipment or the tele/data systems for the Premises. Tenant shall not have to remove or restore the initial improvements. The construction cost is \$701,625.00 and will be paid in full prior to occupancy.

ARCHITECTURAL:

Landlord shall provide all architectural and interior design services for the Building Standard Leasehold Improvements. Tenant will pay the architectural fees for any requested changes and Additional Improvements.

SIGNAGE:

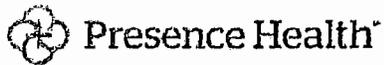
Landlord shall provide Tenant with Building Standard signage.

PARKING:

Tenant shall have use of the parking in the lots surrounding the building in common with other tenants in the building.

SUBLEASE AND ASSIGNMENT:

Tenant shall not have the right to sublease or assign any portion of the Premises to any party without Landlord's prior consent.



BROKERAGE COMMISSION: N/A

SECURITY DEPOSIT: None

GUARANTOR: None

EXCLUSIVITY: From the date of signing of this Letter of Intent, and until execution of a mutually acceptable Lease not to exceed 45 days from the date hereof (the "Exclusivity Period"), Landlord shall not negotiate with another party, or accept an offer to lease the Premises.

The purpose of this Letter of Intent is to set forth the mutual intent of Tenant and Landlord to negotiate and attempt to enter into a Lease. The parties acknowledge and agree that they have not attempted in this Letter of Intent to set forth all essential terms of the subject matter of this transaction, and such remaining essential terms shall be the subject of further negotiations. Neither Tenant nor Landlord shall be legally bound to lease the Initial Premises unless and until the Lease containing terms, conditions, and provisions satisfactory to both Tenant and Landlord in the exercise of their sole and absolute discretion has been executed and delivered by both parties. Notwithstanding the foregoing, the parties specifically acknowledge and agree that the provisions of the above captioned Exclusivity paragraph shall be binding and enforceable against the parties.

Sincerely,

PRESENCE HEALTHCARE SERVICES

By: Robert M Hauptman
Name: Robert M Hauptman

ACCEPTED BY TENANT THIS 29 day of January, 2015:

By: Pamela S Bell
Presence Lakeshore Gastroenterology