



# STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

<b>DOCKET ITEM:</b> A-03	<b>BOARD MEETING:</b> March 5, 2019	<b>PROJECT NUMBER:</b> 16-038
<b>PERMIT HOLDERS(S):</b> Advocate Sherman Ambulatory Surgery Center, LLC, Advocate Sherman Hospital, Advocate Health Care Network, Evangelical Services Corporation, Surgical Care Affiliates Inc., Surgical Care Affiliates, LLC, SCA Surgery Holdings, LLC, SCA-Illinois, LLC, and Advocate-SCA Partners, LLC		
<b>FACILITY NAME and LOCATION:</b> Advocate Sherman Ambulatory Surgery Center, Elgin		

## **STATE BOARD STAFF REPORT** **PERMIT RENEWAL REQUEST**

### **I. Background**

On January 24, 2017, the State Board approved Project #16-038. The permit authorized the establishment of a multi-specialty Ambulatory Surgery Treatment Center (ASTC), in Elgin. The State Agency notes the project is obligated, and the current project completion date is March 31, 2019. Project cost: \$12,718,852.

State Board Staff notes the State Board received the permit renewal request on February 4, 2019. This submittal was in accordance with 77 IAC 1130.740(d), which states that the State Board must receive renewal requests at least 45 days prior to the permit expiration date. A \$500.00 permit renewal accompanied the renewal request.

### **II. Findings**

State Board Staff notes this is the first renewal request for this project and the permit holders have submitted all of the information required in Section 1130.740 for a permit renewal.

### III. The Permit Renewal Request

- A. Requested Completion Date: The permit holders request a project completion date of September 30, 2021. This would extend the project's completion date thirty (30) months, from March 31, 2019 to September 30, 2021.
- B. Status of the Project and Components Yet to be Finished: The permit holders state the project is approximately 25% complete. Architectural plans have been submitted to IDPH, and have been approved. Pre-construction components (soil testing/RFPs/permit filings), have commenced, and construction is set to get underway.
- C. Reason(s) Why the Project Has Not Been Completed: The permit holders' state that major corporate mergers have occurred among both parties (Advocate Sherman Hospital and Surgical Care Affiliates), at parent-corporate levels resulted in diversion of resources to commit to the project. However, Advocate HealthCare has committed it's time and energy in achieving project completion by the requested project completion date.
- D. Evidence of Financial Commitment to Fund the Project: The permit holders indicate that \$786,005 (6.3% of the overall project cost of \$12,178,852) has been expended to date, and can attest to the existence of sufficient financial resources to complete the project.
- E. Anticipated Final Cost of the Project: The permit holders estimate the project will not deviate from the original permit amount of \$12,718,852.

### IV. Project Description & Other Background Information

The permit authorized the establishment of a multi-specialty ASTC in Elgin. Project cost: \$12,718,852.

Permit Issuance Date: January 24, 2017

Project Obligation Date: February 14, 2017

Original Project Completion Date: March 31, 2019  
(Submittal of Final Cost Report)

Proposed Project Completion Date: September 30, 2021  
(30-month renewal request)

**V. Applicable Rules for Permit Renewal Requests**

77 IAC 1130.740 specifies that a permit holder may request a change in the approved project completion date by applying for a permit renewal.

77 IAC 1130.230(h)(5) states that failure to complete a project or to renew a permit within the prescribed timeframes will subject the permit holders to the sanctions and penalties provided in the Act and this Subpart.

77 IAC 1130.740(b) states that a permit renewal will commence on the expiration date of the original or renewed completion period.

77 IAC 1130.740(c) states that the State Board must be in receipt of a permit renewal request at least 45 days prior to the expiration date of the completion period, and include the following: 1) the requested completion date; 2) a status report on the project detailing what percent has been completed and a summary of project components yet to be finished and the amount of funds expended on the project to date; 3) a statement as to the reasons why the project has not been completed; and 4) confirmatory evidence by the permit holders' authorized representative that the project's costs and scope are in compliance with what the State Board approved and that sufficient financial resources are available to complete the project.

77 IAC 1130.740(d) states the State Board staff will review the request and prepare a report of its findings. If the findings are that the request is in conformance with all HFSRB criteria, and if this is the first request for this project, then the request, staff's findings, and all related documentation shall be sent to the Chairman. The Chairman, acting on behalf of HFSRB, will approve, deny or refer the request to the HFSRB for action. If staff finds that all criteria are not positive or, if this is not the first request for this project, or if the Chairman refers this to HFSRB for action, then HFSRB will evaluate the information submitted to determine if the project has proceeded with due diligence (as defined in 77 IAC 1130.140). Denial of a permit renewal request constitutes HFSRB's Notice of Intent to revoke a permit and the permit holders will be afforded an opportunity for an administrative hearing.

**VI. Other Information**

Appended to this report are the following: the permit holders' documents for a permit renewal.

*Advocate Sherman Ambulatory Surgery Center*

January 29, 2019

Via Overnight Courier

Ms. Courtney Avery, Administrator  
Illinois Health Facilities and Services Review Board  
525 W. Jefferson Street - 2<sup>nd</sup> Floor  
Springfield, IL 62761

**RECEIVED**

FEB 04 2019

**HEALTH: FACILITIES &  
SERVICES REVIEW BOARD**

Subject: Advocate Sherman Ambulatory Surgery Center, Project No. 16-038 (the Project)  
Request for Permit Renewal

Dear Ms. Avery:

We respectfully request a 30-month permit renewal for our Project to allow us to complete the Project referenced above. On January 24, 2017, the Illinois Health Facilities and Services Review Board granted the Applicants a permit to establish a multi-specialty surgery center on the Advocate Sherman Hospital campus in Elgin. The Applicants now seek a permit renewal for this Project through September 30, 2021.

**Project Overview and Status**

Design Documents and Construction Documents have been completed and approved by IDPH. Pre-construction activities have commenced, including RFPs for subcontractors, soil tests, permit filings, etc. Project costs incurred through December 31, 2018 are approximately \$768,005. The Project is approximately 25% complete. Please refer to the attached chart for a detailed breakdown in costs approved and incurred to date.

**Requested Completion Date**

The estimated remaining pre-construction timeline is an additional 6 months, then 18 months of construction and 6 months to have the facility licensed. Therefore, the Applicant seeks a completion date of August 31, 2021, or a 30-month renewal. This is a first request for a permit renewal.

**Statement as to Reasons why the Project has not been completed**

Since receiving the permit, both Surgical Care Affiliates and Advocate Sherman Hospital have undergone major corporate mergers at the parent corporation level. Because of these mergers, we experienced a delay in the Project due to the diversion of various resources (time and otherwise). Most recently, Advocate Health Care required more time to engage in and integrate with Aurora Health Care throughout 2018. There is still work to be done with that merger, which has taken precedence over this Project given the enterprise-wide initiatives.

We are optimistic that the appropriate resources will be available soon to continue progressing steadily on this project. This delay was beyond our estimated timeline and unforeseen prior to the merger announcement.

### **Project Cost and Scope**

The Project's cost is in compliance with what the Health Facilities and Services Review Board approved. However, the square footage of the Project is currently projected to be slightly larger than what was listed on the original CON application, but it will increase no more than 5% of the approved square footage. If square footage increases, we will timely file for a Permit alteration. Concurrent with the filing of this Permit Renewal request we are filing our Annual Report.

Enclosed please find the required \$1,000 application fee. Please let me know of any questions on this material, or if additional information needs to be provided.

Thanking you in advance for your assistance.

Respectfully

Advocate Sherman Ambulatory Surgery Center, LLC



By: \_\_\_\_\_  
Drew Bell, President

Enclosure

cc: Joe Ourth

Advocate Sherman Ambulatory Surgery Center  
Project No. 16-038

Use of Funds	Incurred	In Permit
Preplanning Costs	\$83,457	\$85,500
Site Survey and Soil Investigation		\$9,500
Site Preparation		\$350,000
Off Site Work		\$0
New Construction Contracts		\$6,558,424
Modernization Contracts		\$0
Contingencies		\$606,659
Architectural/Engineering Fees	\$293,216	\$564,135
Consulting and Other Fees	\$273,458	\$315,469
Moveable or Other Equipment (not in Construction Contracts)		\$3,473,317
Bond Issuance Expense (project related)		\$37,550
Net Interest Expense During Construction (Project related)		\$335,000
Fair Market Value of Leased Space or Equipment		\$0
Other Costs To Be Capitalized	\$117,874	\$383,298
Acquisition of Building or Other Property (excluding land)		\$0
<b>TOTAL USES OF FUNDS</b>	<b>\$768,005</b>	<b>\$12,718,852</b>