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HEALTH FACILITIES & SERVICES REVIEW BOARD

April 10, 2017

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VIA EMAIL & FEDERAL EXPRESS

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

Mr. Mike Constantino
Supervisor, Project Review Section
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Challenge to Completeness and Opposition to Project No. 16-046
New Lenox Endoscopy Center

Dear Ms. Avery and Mr. Constantino:

We are counsel to Silver Cross Hospital and Medical Centers ("Silver Cross Hospital") and Silver Cross Ambulatory Surgery Center LLC ("Silver Cross Surgery Center"). On behalf of Silver Cross Hospital and Silver Cross Surgery Center, we are writing to voice strong opposition to the Certificate of Need Application (the "Application") filed by New Lenox Endoscopy LLC ("NL Endo"), SGNL LLC ("SGNL"), and Southwest Gastroenterology SC ("Southwest GI," and collectively with NL Endo and SGNL, the "Applicants"), to establish an ambulatory surgical treatment center (the "Proposed Facility") at 678 Cedar Crossing Drive, New Lenox, Illinois (the "Project"). The location of the Proposed Facility is literally adjacent to the Silver Cross Hospital Campus, and to the general public, will appear to be located directly on the Silver Cross Hospital Campus. See Exhibit 1.

We are also formally challenging whether the Application is, in fact, "substantially complete . . . and ready to be reviewed" by the Illinois Health Facilities and Services Review Board (the "Review Board") pursuant to 77 Il. Admin. §1130.620(c)(1).

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### Completeness Challenge

On or about November 3, 2016, the Applicants filed the Application, which was only partially completed and failed to provide information relative to a number of the review criteria established by the Review Board. On January 3, 2017, the Review Board sent out a multi-point information request to the Applicants asking the Applicants to provide: (1) projected financial information for two of the three Applicants; (2) historical financial information for one of the Applicants; (3) the names of the owners for one of the Applicants; (4) the proposed payor mix for the Proposed Facility; (5) the admission and charity care policies for the Proposed Facility; (6) the schematic drawing for the Proposed Facility; (7) the number of anticipated referrals from certain facilities identified by the Applicants in the Application; (8) an explanation of the architectural, engineering and new construction and modernization costs for the Project; and (9) financial/fair market value information concerning the lease for the Proposed Facility (the "January 3, 2017 Information Request"). See Exhibit 2. In other words, the Applicants did not even provide basic financial information about the Applicants, the ability of the Applicants to fund the Project, what the Proposed Facility would look like, how the costs for the Projects were arrived at, which types of patients would be treated at the Proposed Facility, and where those patients would come from.

On January 25, 2017 (83 days after the Applicants filed the Application), the Applicants filed a Request to Defer Consideration of the Project instead of answering the Review Board's basic and fundamental questions, as set forth in the Review Board's January 3, 2017 Information Request. See Exhibit 3. Silver Cross Hospital and Silver Cross Surgery Center initially believed that the Applicants' failure to submit the requested information was purely an oversight by the Applicants. However, on April 4, 2017 (152 days after the Applicants filed the Application), the Applicants filed a **partial** response to the January 3, 2017 Information Request and it is truly disconcerting (the "Supplemental Filing"). See Exhibit 4.

In short, the Supplemental Filing definitely contradicts the Application in various sections. For example, and as set forth in greater detail below, it is now clear that at least 71% of the patients from the Proposed Facility will be diverted from Silver Cross Hospital, which is very different than the narrative set forth in the Application. And a closer review of the Supplemental Filing shows that the lead Applicant (Southwest GI) literally had negative cash on hand of -\$50,307 at end of the 2016 (which directly contradicts the letter filed as part of the Application in which Standard Bank and Trust Company stated that Southwest GI had at least



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\$250,000 in cash in deposits as October 31, 2016). See page 103 of the Application. Because the Applicants failed to provide any cash flow information about the other two Applicants, it is impossible to ascertain whether the Applicants collectively have the \$2,000,000 in cash needed to construct the Proposed Facility and pay for the Project. Of course, if the Applicants do not have \$2,000,000 in cash to fund the Project, the Applicants failed to complete material parts of the Application (including, but limited to, the financial sections of the Application).

At the same time, the Applicants' failure to file a complete Application, and the Applicants' failure to fully answer the Board's January 3, 2017 Information Request, makes it impossible to conduct a detailed and exhaustive review of the Application for the Project, thereby depriving Silver Cross Hospital and Silver Cross Surgery Center of their respective rights to thoughtfully object to a project that will clearly impact Silver Cross Hospital and Silver Cross Surgery Center in a negative manner. Given the location of the Proposed Facility (and the immediate negative impact it will have on Silver Cross Hospital and Silver Cross Surgery Center), it is absolutely imperative that the Applicants be compelled to provide a complete Application -- under oath and penalty of perjury -- to the Review Board, prior to the scheduling of any hearing by the Review Board on the Application.

### Opposition

Notwithstanding the foregoing, and out of an abundance of caution, we have elected to file this Opposition in order to preserve the rights of Silver Cross Hospital and Silver Cross Surgery Center and advise the Review Board of their grave concerns about this Project. Silver Cross Hospital and Silver Cross Surgery Center hereby reserve their respective rights to file a supplemental oppositional statement if the Applicants are allowed even more time to file additional supplements to their Supplemental Filing and/or allowed to appear before the Review Board on May 2, 2017. What follows is a non-exhaustive list of deficiencies.

### Unnecessary Duplication/Maldistribution/Negative Impact on Silver Cross Hospital and Silver Cross Surgery Center

On page 94 of the Application, as support for Criterion 1110.1540(h)(Unnecessary Duplication/Maldistribution), the Applicants state that the proposed Facility "will not have an adverse impact on existing facilities in the GSA." The Applicants offer no proof or data to support their conclusory statement in the Application and then directly contradict that statement



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in their Supplemental Filing by admitting that 2,493 of their projected 3,500 procedures will come from Silver Cross Hospital.

In addition, the Applicants have seemingly failed to accurately list the actual number of procedures that the Southwest GI doctors performed at Silver Cross Hospital in the past year. According to the medical records kept at Silver Cross Hospital, the Southwest GI doctors performed 6,321 outpatient GI procedures at Silver Cross Hospital during the period from October 1, 2015 to September 30, 2016. This is less than the 7,359 outpatient GI procedures listed by the Applicants as being performed by the Southwest GI doctors at Silver Cross Hospital. See page 138 of the Application and page 3 of the Supplemental Filing. Applying the true procedure counts by the Southwest GI doctors at Silver Cross Hospital means that the Applicants intend to take no less than 39% of their current outpatient GI procedures out of Silver Cross Hospital.

Of course, once the Proposed Facility is built, the Southwest GI doctors will have the ability to move even more outpatient GI procedures out of Silver Cross Hospital. Since the Southwest GI doctors accounted for 51% of the outpatient GI procedures at Silver Cross Hospital during the period from October 1, 2015 to September 30, 2016, that would basically equate to losing half of a service line at Silver Cross Hospital.

Silver Cross Hospital long ago created block surgical time for the Southwest GI physicians. The Southwest GI physicians are also on the active medical staffs of multiple facilities. That means the Southwest GI physicians have committed time slots and easy access to GI procedure rooms in the service area.

In short, the Project will lead to unnecessary duplication, maldistribution and will negatively impact Silver Cross Hospital and Silver Cross Surgery Center. Both Silver Cross Hospital and the Silver Cross Surgery Center (scheduled to open in the late summer/early fall of 2017) have the capacity to accommodate additional GI cases – as do multiple other providers in the proposed service area for the Proposed Facility.

Currently, there are 24 board approved ambulatory surgical treatment centers within the 45 minute drive time geographic service area of the Proposed Facility. Silver Cross Surgery Center and Rush Oak Brook Surgery Center are among the facilities that have been approved by the Review Board, but not yet opened. Silver Cross Surgery Center (scheduled to open in the



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late summer/early fall of 2017) and Rush Oak Brook Surgery Center (scheduled to open in 2019) are both planning to provide GI services. The Silver Cross Surgery Center will literally be within walking distance of the Proposed Facility. Of the 22 open surgery centers, 14 (or 64%) currently provide GI services. Based on the Review Board's published data for 2015, of those 22 surgery centers, only 4 were operating at capacity. See Exhibit 5. Additionally, there are 18 surgery centers or 82% currently operating under the Review Board's standard of 1,500 hours per room.

It should also be noted that within the 45 minute drive time of the Proposed Facility there are 20 hospitals providing GI services. See Exhibit 6. Of those 20 hospitals, 15 (or 75%) have not met their occupancy targets for operating and procedure rooms. Given this information, it is clear that there is an abundance of access within the geographic service area of the Proposed Facility and any additional facilities, would result in an unnecessary duplication of services, cause a surplus of facilities, and have a negative impact on ambulatory surgery centers and hospitals within the 45 minute drive time geographic service area.

### Project Services Utilization and Efficiency

In their Application and their Supplemental Filing, the Applicants assert that they will perform 3,500 procedures at the Proposed Facility within two years of its completion. The Applicants also repeatedly assert that the Proposed Facility will allow the Applicants to "achieve operational efficiencies that cannot be created at other hospitals. . . ." See, e.g., pages 51, 88 and 114 of the Application. The Applicants also state that the Proposed Facility can justify three procedure rooms because each procedure will take 52 minutes. (3,500 procedures \* 52 minutes = 3,033 hours, which would justify 2.022 rooms, which, conveniently, under the Review Board's rules would round up to 3 rooms). See page 65 of the Application.

Well, at least as it applies to Silver Cross Hospital, the average GI case only takes 42 minutes. See Silver Cross Hospital's Review Board Profile for 2015. GI cases, on average at Silver Cross Hospital, involve 1.57 GI procedures. Note that Silver Cross Hospital reports cases (and not procedures) to the Review Board on its Annual Hospital Questionnaire. It is impossible to tell from the Application and/or Supplemental Filing if the Applicant's 52 minute average procedure time is really an average case time.



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If the Applicants need 52 minutes to perform a GI case, that means Silver Cross Hospital is (and will be) more “efficient” than the Proposed Facility. In other words, Silver Cross Hospital is (and will be) **24%** more efficient than the Proposed Facility. And if the 42 minute case time at Silver Cross Hospital is applied to the Proposed Facility, the Applicants can no longer justify 3 rooms. (3,500 procedures \* 42 minutes per case \* 1 case/1.57 procedures = 1,560 hours, which only justifies 1.04 rooms, which would barely rounds up to 2 rooms). Even if the Applicants used Silver Cross Hospital’s per case time of 42 minutes, the Applicants could not justify 3 rooms. (3,500 procedures \* 42 minutes per procedure = 2,450 hours, which only justifies 1.63 rooms, which only rounds up to 2 rooms).

If the Applicants need 52 minutes to perform a GI procedure, as compared to the average GI procedure time at Silver Cross Hospital of 27 minutes, that means Silver Cross Hospital is (and will be) 92% more efficient than the Proposed Facility.

It also bears noting that the Southwest GI physicians own and operate another surgery center in Oak Lawn, Illinois, known as the Oak Lawn Endoscopy Center. According to the Review Board’s data for 2015, the Oak Lawn Endoscopy Center needed 59 minutes to complete a GI procedure or case (depending on how Oak Law Endoscopy reports their information to the Review Board). See Oak Lawn Endoscopy Center’s Review Board Profile for 2015.

And, just as critically, Oak Lawn Endoscopy Center only has 2 procedure rooms and was able to perform 5,550 procedures (or cases) in 2015. So, either the Southwest GI physicians intend to work slower at the Proposed Facility or the Southwest GI physicians could divert even more GI procedures/cases from Silver Cross Hospital.

### **Incomplete Financial Picture**

As recognized by the Planning Board when it sent its January 3, 2017 Information Request to the Applicants, the Applicants failed to provide adequate past and future financial information about the Applicants in the Application. The Supplemental Filing by the Applicants did not solve the problem and, quite frankly, raised even more questions.

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According to the Application, the Applicants are not using any debt to finance the Project. Indeed, because the Applicants are allegedly only using cash to fund the Project, the Applicants did not complete several financial sections in the Application.

More specifically, in the Application, the Applicants assert that SGNL will be constructing/modernizing the space (at a cost of approximately \$1,653,570), see page 110 of the Application, and that NL Endo, the proposed license holder for the Proposed Facility, will be leasing the space from SGNL. But upon review of the proforma income statements for NL Endo, NL Endo is paying \$78,038 in interest in year 1 and is making \$157,168 in principal payments in year 1. Those interest payments and principal payments grow larger in years 2 and 3. Interest payments and principal payments are associated with debt instruments. Interest payments and principal payments are **NOT** associated with cash. Also, in years 1, 2 and 3, NL Endo is depreciating some asset class at a fixed rate of \$92,505 per year. Since NL Endo is also showing operating lease payments of \$197,430, it is difficult to ascertain what sort of asset is being depreciated by NL Endo. Indeed, because the Applicants have failed to provide any proforma balance sheets and proforma cash flow statements for NL Endo, it is impossible to ascertain what is truly happening from a financial point of view at NL Endo.

The story is the same for SGNL. SGNL is the Applicant in charge of constructing/modernizing the Proposed Facility. But at this point, the Applicants have provided **ZERO** financial information about SGNL. Without any historical financial information or proforma financial projections, the Applicants have failed to establish that SGNL has at least \$1,653,570 in cash ready to be deployed for this Project.

In terms of the final Applicant, Southwest GI, we only know that Southwest GI, as of December 31, 2016, had a negative cash balance and negative current assets. Even stranger is the fact that Southwest GI, according to Standard Bank and Trust had at \$250,000 in cash at the Bank as of October 31, 2016 “to support equipment purchases for SGNL & New Lenox Endoscopy Center.” See page 103 of the Application. That \$250,000 seems to have dwindled to -\$50,307 as of December 31, 2016. And if SGNL (and NL Endo) needs \$250,000 in cash from Southwest GI to support equipment purchases, does SGNL truly have \$1,653,570 in cash to fund the construction/modernization of the Proposed Facility. And is Southwest GI going to purchase the equipment and then lease it to SGNL or NL Endo? Simply put, there are far more open questions than answered questions in the Application in terms of the financial structure and



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interconnectedness between the Applicants; the revenues, expenses, assets and liabilities for each of the Applicants; and the financial viability of the Project.

### Medicaid and Charity Care

In the Application, the Applicants state, without any qualifications, that: (a) the Proposed Facility will participate in the Medicaid Program; (b) at least 6% of the patients at the Proposed Facility will be Medicaid beneficiaries; and (c) the Proposed Facility will offer “care to uninsured and indigent patients.” See page 114 of the Application.

But the Supplemental Filing by the Applicants seems to call these statements into question. At Attachment 3 of the Supplemental Filing, the Manager of NL Endo states that the Proposed Facility will “maintain the financial viability of the facility while at the same time operating for the benefit of the community” and that NL Endo’s “commitment to charity care will be in line with other ambulatory surgical treatment centers.” As the Review Board very well knows, for-profit surgery centers in the State of Illinois rarely, if ever, provide charity care and they tend to rarely, if ever, provide services to Medicaid patients.

Indeed, a quick review of the Review Board data for Oak Lawn Endoscopy Center, which is also owned by the Southwest GI physicians, demonstrates what may happen at the Proposed Facility. In 2015, The Southwest GI physicians at Oak Lawn Endoscopy Center treated two Medicaid patients and zero charity care patients – out of 5,550 patients who received services at the Oak Lawn Endoscopy Center. Medicaid patients accounted for 0.1% of the total revenues at Oak Lawn Endoscopy Center.

In other words, the likelihood of the Southwest GI physicians providing services to Medicaid and charity care patients at the Proposed Facility seems slight. In 2014, 13.92% of the population in the United States was enrolled in Medicaid, according to the US Census Bureau. 14.7% of patients treated at Silver Cross Hospital are Medicaid beneficiaries, which is consistent with the Will County payer mix. Even if the Applicants elected to provide Medicaid services at the levels they propose, they would still be only serving 40% of the Medicaid population in Will County. Of course, in Cook County (where the Oak Lawn Endoscopy Center is located), 19.4% of the population is on Medicaid. But, even in that market, the Southwest GI physicians only generated 0.1% of the revenue at Oak Lawn Endoscopy Center from Medicaid. 0.1% treated vs. 19.4% of the population is not a compelling historical precedent. It also raises a serious question



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regarding the types of patients that the Southwest GI physicians intend to treat at the Proposed Facility (and which types of patients that the Southwest GI physician intend to treat at the Silver Cross Hospital).

**Conclusion**

At this late stage, there are far too many unanswered questions. As a consequence, the Applicants should not be allowed to proceed to a hearing under these circumstances. It is impossible (as an impacted party) to even assess what has been filed – because so much information is missing.

Based on what has been filed to date, it is clear that the Project will lead to an unnecessary duplication of services, a maldistribution of services, negatively impact other providers, and negatively impact the safety net. For these reasons, if the Project is allowed to move forward, the Review Board should deny the Project.

Please feel free to contact me if you have any questions.

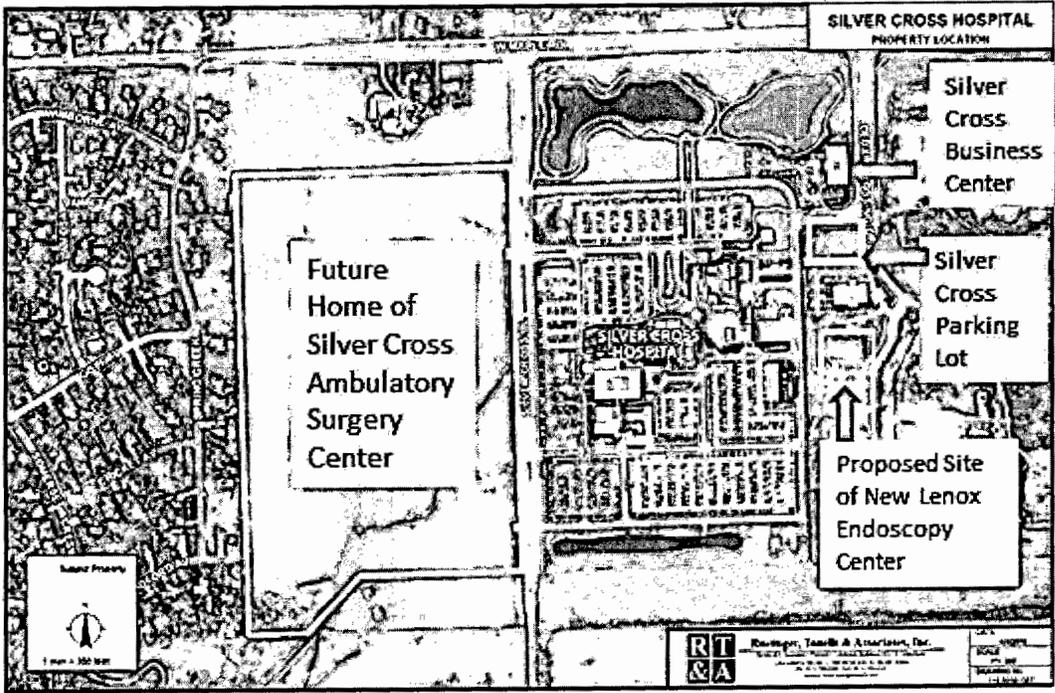
Sincerely,

Edward J. Green

cc: Paul Pawlak, President and CEO, Silver Cross Hospital and Medical Centers  
John Krepps, Manager, Silver Cross Ambulatory Surgery Center LLC

EJG:scx  
Enclosures

## Exhibit 1



## Exhibit 2



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

January 3, 2017

Charles Sheets, Attorney  
Polsinelli  
161 N. Clark Street, Suite 4200  
Chicago, IL 60601 -3316

**Re: Request for Information**  
Project #16-046, New Lenox Endoscopy Center

Dear Mr. Sheets:

We are in the process of reviewing the application for permit referenced above and need the following information:

1. The projected financial information for New Lenox Endoscopy, LLC and SGNL, LLC for the two (2) years following project completion. We need the projected income statement and balance sheet and the projected ratios and the assumptions used.
2. The three (3) years historical ratios for Southwest Gastroenterology, S.C. and the worksheets.
3. The names of the members of the SGNL, LLC and their percentage of ownership.
4. The expected payor mix of the proposed facility.

Payor Mix	# of Patients	Percentage of Revenue
Medicare Revenue		
Medicaid Revenue		
Private Pay Revenue		
Self Pay Revenue		
Charity Care		

5. The admission and charity care policy for the proposed facility.
6. A schematic drawing of the proposed facility.
7. The number of anticipated referrals from the seven (7) facilities listed in the referral letters to the proposed new facility:

Facility	City	Total Referrals	Number from Each Facility
Advocate Christ Medical Center	Oak Lawn	4,141	
Fullerton ASTC	Chicago	231	
Advocate Good Samaritan	Downers Grove	103	
Little Company of Mary	Evergreen Park	659	
Provena St. Joseph	Elgin	1,679	
Oak Lawn Endoscopy ASTC	Oak Lawn	3,807	
Silver Cross Hospital	New Lenox	7,539	
Total		18,156	

8. An explanation why architectural and engineering fees and new construction and modernization costs have not been included in the project uses of funds schedule.
9. How was the FMV of the lease determined?

Information regarding this project or other matters related to the State Board can be found at <http://www.hfsrb.illinois.gov/>. Should you have any questions or concerns please contact Mike Constantino at [mike.constantino@illinois.gov](mailto:mike.constantino@illinois.gov) or 217.785.1557.

Sincerely,



Mike Constantino, Project Reviewer  
Illinois Health Facilities and Services Review Board

## Exhibit 3



161 N. Clark Street, Suite 4200, Chicago, IL 60601-3316 • 312.819.1900

January 25, 2017

Via Federal Express

Anne M. Cooper  
(312) 873-3606  
(312) 276-4317 Direct Fax  
acooper@polsinelli.com

Ms. Kathryn J. Olson  
Chair  
Illinois Health Facilities and Services Review  
Board  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62761

**Re: New Lenox Endoscopy Center (Proj. No. 16-046)  
Request to Defer Consideration of Application**

Dear Ms. Olson:

This office represents New Lenox Endoscopy, LLC; SGNL, LLC; and Southwest Gastroenterology, S.C. (the "Applicants"). Pursuant to Section 1130.640(b) of the Illinois Health Facilities and Services Review Board's ("State Board") regulations, we respectfully request the State Board defer consideration of the New Lenox Endoscopy Center certificate of need application to the May 2, 2017 State Board meeting.

If you have any questions or need any additional information on the Applicants' request to defer consideration of the New Lenox Endoscopy Center certificate of need application, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Anne M. Cooper".

Anne M. Cooper

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Atlanta Chicago Dallas Denver Kansas City Los Angeles New York Phoenix St. Louis San Francisco Washington, D.C. Wilmington  
Polsinelli PC, Polsinelli LLP in California

## Exhibit 4



150 N. Riverside Plaza, Suite 3000, Chicago, IL 60606-1599 • 312.819.1900

April 4, 2017

Anne M. Cooper  
(312) 873-3606  
(312) 276-4317 Direct Fax  
acooper@polsinelli.com

**VIA FEDERAL EXPRESS**

**VIA E-MAIL**

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

**Re: Additional Information Requested  
Project No. 16-046 – New Lenox Endoscopy Center**

Dear Mr. Constantino:

This letter is in response to your January 3, 2017 letter in which the Illinois Health Facilities and Services Review Board (“HFSRB”) requested additional information for the application for permit for New Lenox Endoscopy Center (Project No. 16-046). Please note the following:

1. Projected financial statements for New Lenox Endoscopy Center, LLC for the three years following project completion are attached as **Attachment – 1**.
2. Three years of historical ratios for Southwest Gastroenterology are attached as **Attachment – 2**.
3. The names and the members of SGNL, LLC and their percentage of ownership are provided in the table below:

Name	Address	Ownership Interest
Jeffrey Port, M.D.	111 West Vernon Park Place #3 Chicago, Illinois 60607	14.28%
Charles Berkelhammer, M.D.	1922 South Prairie Avenue Chicago, Illinois 60616	14.28%
Douglas Lee, M.D.	1040 South Plymouth Court Chicago, Illinois 60605	14.28%

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Name	Address	Ownership Interest
Mihir Majmundar, M.D.	1607 Midwest Club Parkway Oak Brook, Illinois 60523	14.28%
Kamran Ayub, M.D.	22 Luthin Road Oak Brook, Illinois 60523	14.28%
Zahid Afzal, M.D.	6 Concord Drive Oak Brook, Illinois 60523	14.28%
Lola Kwan, M.D.	6421 Waterford Court Willowbrook, Illinois 60527	14.28%

4. The proposed payor mix of the surgery center is proved in the table below:

New Lenox Endoscopy Center		
Payor	Patients	Percentage of Volume
Medicare	1,372	27.20%
Medicaid	196	8.30%
Private Pay	1,862	62.50%
Self Pay	35	1%
Charity Care	35	1%
Total	3,500	100.00%

5. A letter from Dr. Mihir Majmundar, M.D., Manager, New Lenox Endoscopy, LLC attesting that New Lenox Endoscopy Center will accept all patients regardless of ability to pay is attached at **Attachment - 3**.
6. A schematic drawing of the proposed endoscopy center is attached at **Attachment - 4**.
7. The number of anticipated referrals from the seven (7) facilities listed in the referral letter for the proposed endoscopy center is provided in the table below:



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New Lenox Endoscopy Center Projected Referrals			
Facility	City	Historical Cases	Projected Referrals
Advocate Christ Medical Center	Oak Lawn	4,141	50
Fullerton ASTC	Chicago	231	0
Advocate Good Samaritan	Downers Grove	103	0
Little Company of Mary	Evergreen Park	659	0
Presence St. Joseph	Elgin	1,679	401
Oak Lawn Endoscopy ASTC	Oak Lawn	3,807	556
Silver Cross Hospital	New Lenox	7,539	2,493
<b>Total</b>		<b>18,159</b>	<b>3,500</b>

- Southwest Gastroenterology, S.C. recently constructed a new medical office building, which will house both the endoscopy center as well as the affiliated medical practice. SGNL, LLC owns the building and is also a co-applicant on the New Lenox Endoscopy Center CON application. New Lenox Endoscopy, LLC will lease the endoscopy center from SGNL, LLC. The lease rate for the endoscopy center is based on the full amortization of the capitalized costs to construct the endoscopy center with a reasonable rate of return. The construction and architectural and engineering costs are captured in the lease rate, and therefore, they were not separately included in the project cost schedule.
- As discussed above, the fair market value of the leased space is based on the full amortization of the capitalized costs to construct the endoscopy center with a reasonable rate of return.

If you have any questions or need additional information regarding this application for permit, please feel free to contact me.

Sincerely,

Anne M. Cooper

Attachments

**Income Statement  
New Lenox Endoscopy Center**

**Year 1**

	<b>Volume</b>
Endoscopy Cases	3,500
<b>Total Cases</b>	<u>3,500</u>

<b>Operating Revenue</b>	
Facility Fee Revenue	1,890,000
<b>Total Operating Revenue</b>	<u>1,890,000</u>

<b>Operating Expenses</b>	
Salaries and wages	602,000
Benefits	150,500
Medical Supplies	395,000
Other Expenses	192,000
Operating Leases	197,430
Principal Payments	157,168
Interest Expense	78,038
Depreciation	92,505
<b>Total Operating Expenses</b>	1,864,641
 <b>Income (Loss) from Operations</b>	 <u><u>25,359</u></u>

**Income Statement  
New Lenox Endoscopy Center**

**Year 2 (After Open)**

**Volume**

Endoscopy Cases	3,640
<b>Total Cases</b>	<u>3,640</u>

**Operating Revenue**

Facility Fee Revenue	1,965,600
<b>Total Operating Revenue</b>	<u>1,965,600</u>

**Operating Expenses**

Salaries and wages	620,060
Benefits	155,015
Medical Supplies	406,850
Other Expenses	197,760
Operating Leases	203,352
Principal Payments	161,883
Interest Expense	80,379
Depreciation	92,505
<b>Total Operating Expenses</b>	<u>1,917,804</u>

<b>Income (Loss) from Operations</b>	<u><u>47,796</u></u>
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**Income Statement  
New Lenox Endoscopy Center**

**Year 3 (After Open)**

<b>Volume</b>	
Endoscopy Cases	3,750
<b>Total Cases</b>	<u>3,750</u>
<b>Operating Revenue</b>	
Facility Fee Revenue	2,025,000
<b>Total Operating Revenue</b>	<u>2,025,000</u>
<b>Operating Expenses</b>	
Salaries and wages	638,662
Benefits	159,666
Medical Supplies	419,055
Other Expenses	203,692
Operating Leases	209,452
Principal Payments	166,739
Interest Expense	82,790
Depreciation	92,505
<b>Total Operating Expenses</b>	1,972,561
<b>Income (Loss) from Operations</b>	<u><u>52,440</u></u>

**Southwest Gastroenterology, S.C.**  
**Financial Viability Ratios**  
**2014-2016**

	<b>Standard</b>	<b>2014</b>	<b>Standard Met</b>	
<b>Current Ratio</b>				
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	>1.5	$\frac{\$37,715}{\$345,628}$	0.1	No
<b>Net Margin Percentage</b>				
$\frac{\text{Net Income}}{\text{Net Revenue}}$	>3.5%	$\frac{\$27,406}{\$8,738,731}$	0.3%	No
<b>Long Term Debt to Capitalization</b>				
$\frac{\text{Long-Term Debt}}{\text{Long-Term Debt} + \text{Net Assets}}$	<80%	$\frac{\$0}{(\$110,919)}$	0%	N/A
<b>Projected Debt Service Coverage</b>				
$\frac{\text{Net Income} + \text{Depreciation} + \text{Interest} + \text{Amortization}}{\text{Principal Payments} + \text{Interest}}$	>1.75	$\frac{\$68,646}{\$0}$	N/A	N/A
<b>Days Cash on Hand</b>				
$\frac{\text{Cash} + \text{Investments} + \text{Board Designated Funds}}{\text{Operating Expenses} - \text{Depreciation}}$	>45 days	$\frac{\$37,515}{\$3,922,820}$	3.5	No
<b>Cushion Ratio</b>				
$\frac{\text{Cash} + \text{Investments} + \text{Board Designated Funds}}{\text{Principal Payments} + \text{Interest}}$	>3.0	$\frac{\$37,515}{\$0}$	N/A	N/A

Southwest Gastroenterology, S.C.  
 Financial Viability Ratios  
 2014-2016

	2015		Standard Met
<b>Current Ratio</b>			
<u>Current Assets</u>	<u>\$28,968</u>	0.0	No
<u>Current Liabilities</u>	<u>\$1,018,208</u>		
<b>Net Margin Percentage</b>			
<u>Net Income</u>	<u>(\$9,254)</u>	-0.1%	Yes
<u>Net Revenue</u>	<u>\$8,022,296</u>		
<b>Long Term Debt to Capitalization</b>			
<u>Long-Term Debt</u>	<u>\$0</u>	0%	Yes
<u>Long-Term Debt + Net Assets</u>	<u>(\$83,513)</u>		
<b>Projected Debt Service Coverage</b>			
<u>Net Income + Depreciation + Interest + Amortization</u>	<u>\$62,209</u>	N/A	N/A
<u>Principal Payments + Interest</u>	<u>\$0</u>		
<b>Days Cash on Hand</b>			
<u>Cash + Investments + Board Designated Funds</u>	<u>\$28,768</u>	2.8	No
<u>Operating Expenses - Depreciation</u>	<u>\$3,766,365</u>		
<b>Cushion Ratio</b>			
<u>Cash + Investments + Board Designated Funds</u>	<u>\$28,768</u>	N/A	N/A
<u>Principal Payments + Interest</u>	<u>\$0</u>		

Southwest Gastroenterology, S.C.  
 Financial Viability Ratios  
 2014-2016

	2016		Standard Met
<b>Current Ratio</b>			
<u>Current Assets</u>	<u>(\$50,307)</u>	(0.1)	No
<u>Current Liabilities</u>	<u>\$797,415</u>		
<b>Net Margin Percentage</b>			
<u>Net Income</u>	<u>\$697,839</u>	8%	Yes
<u>Net Revenue</u>	<u>\$8,908,537</u>		
<b>Long Term Debt to Capitalization</b>			
<u>Long-Term Debt</u>	<u>\$0</u>	N/A	N/A
<u>Long-Term Debt + Net Assets</u>	<u>(\$92,767)</u>		
<b>Projected Debt Service Coverage</b>			
<u>Net Income + Depreciation + Interest + Amortization</u>	<u>\$709,304</u>	N/A	N/A
<u>Principal Payments + Interest</u>	<u>\$0</u>		
<b>Days Cash on Hand</b>			
<u>Cash + Investments + Board Designated Funds</u>	<u>(\$50,307)</u>	(4.1)	No
<u>Operating Expenses - Depreciation</u>	<u>\$4,425,913</u>		
<b>Cushlon Ratio</b>			
<u>Cash + Investments + Board Designated Funds</u>	<u>(\$50,307)</u>	N/A	N/A
<u>Principal Payments + Interest</u>	<u>\$0</u>		



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of ILLINOIS, LLC

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March 29, 2017

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Mr. Michael Constantino  
Illinois Health Facilities and Services  
Review Board  
525 West Jefferson Street, Second  
Floor  
Springfield, Illinois 62761

Re: **New Lenox Endoscopy Center Admission Policy**

Dear Mr. Constantino:

I am writing to inform you of New Lenox Endoscopy Center's patient admission policy. New Lenox Endoscopy, LLC is committed to operating the proposed endoscopy center in a manner that will maintain the financial viability of the facility while at the same time operating for the benefit of the community by promoting health care access for a broad cross-section of the community. To this end, New Lenox Endoscopy Center will accept all patients who are clinically appropriate for outpatient endoscopy, regardless of their ability to pay, and will not discriminate against individuals based on their race, color, religion, sex, sexual orientation, gender identity or national origin.

New Lenox Endoscopy, LLC's commitment to charity care will be in line with other Illinois ambulatory surgical treatment centers.

Please let me know if you have any questions or would like additional information regarding New Lenox Endoscopy Center's admissions policy or charity care commitment.

Sincerely,

Mihir Majmundar, M.D.  
Manager  
New Lenox Endoscopy, LLC

www.southwestgastro.com

Attachment - 3

9921 Southwest Highway  
Oak Lawn, Illinois 60453 8033800.1  
708-499-5678 (tel) • 708-499-5685 (fax)

678 Cedar Crossing Drive  
New Lenox, Illinois 60451  
815-723-9278 (tel) • 815-723-9819 (fax)

301 N. Madison, Suite 302  
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815-723-9278 (tel) • 815-723-9819 (fax)



**Exhibit 5**

Table A

Ambulatory Surgical Treatment Centers within 45 minutes of proposed New Lenox Endoscopy							
Name	City	Currently Provides Gastroenterology Services	Adjusted Drive Time	Number of Operating & Procedure Rooms	Total Hours	Number of Rooms Justified	Rooms Justified
Silver Cross Ambulatory Surgery Center	New Lenox	Yes	2.3	3	TBD	3	Yes
Tinley Woods Surgery Center	Tinley Park	Yes	12.7	5	3,783	3	No
Southwest Surgery Center, LLC	Mokena	No	13.8	5	6,321	5	Yes
Preferred SurgCenter, LLC	Orland Park	Yes	23.0	5	249	1	No
Ingalls Same Day Surgery	Tinley Park	No	26.5	4	4,295	3	No
Midwest Day Surgery, LLC - DBA Midwest Center for Day Surgery	Downer's Grove	Yes	29.9	5	3,434	3	No
DMG Surgical Center, LLC	Lombard	Yes	29.9	8	16,737	12	Yes
Oak Brook Surgical Centre, Inc. The	Oak Brook	No	31.1	6	2,808	2	No
AmSurg Surgery Center	Joliet	Yes	31.1	7	8,871	6	No
Oakbrook, LP • DBA Loyola Ambulatory Surgery Center	Oakbrook Terrace	No	32.2	3	2,466	2	No
Salt Creek Surgery Center	Westmont	No	32.2	4	3,574	3	No
The Center for Surgery	Naperville	Yes	32.2	11	4,206	3	No
Palos Surgicenter, LLC	Palos Heights	Yes	33.4	5	3,054	3	No
Naperville Surgical Centre	Naperville	No	34.5	3	1,664	2	No
Midwest Endoscopy Center, LLC	Naperville	Yes	34.5	2	6,458	5	Yes
Forest Med-Surg Center	Justice	Yes	35.7	4	765	1	No
Plainfield Surgery Center, LLC	Plainfield	Yes	36.8	4	2,501	2	No
Rush Oak Brook Surgery Center	Oak Brook	Yes	36.8	8	TBD	8	Yes
Aiden Center for Day Surgery, LLC	Addison	Yes	38.0	4	531	1	No
Elmhurst Outpatient Surgery Center	Elmhurst	Yes	38.0	8	3,332	3	No
Children's Outpatient Services at Westchester	Westchester	Yes	40.3	3	2,794	2	No
Oak Lawn IL Endoscopy ASC LLC • DBA Oak Lawn Endoscopy Center	Oak Lawn	Yes	40.3	2	5,513	4	Yes
Hinsdale Surgical Center	Hinsdale	No	41.4	6	5,688	4	No
Nova Med Surg Center of Oak Lawn, LLC • DBA Center for Reconstructive Surgery	Oak Lawn	No	41.4	4	1,589	2	No
<b>TOTAL</b>				<b>119</b>		<b>83</b>	

Source: ASTC Profile CY 2015

**Exhibit 6**

Table B

Hospitals within 45 Minutes of proposed New Lenox Endoscopy												
Hospital	City	Adjusted Drive Time	Surgery Rooms	Total Surgery Hours	Surgery Rooms Justified	Procedure Rooms (includes Minor Rooms)	Procedure Hours	Proc. Rooms Justified	Total OR/Proc. Rooms	Total Rooms Justified	Rooms Available	Met Occupancy Target?
Silver Cross Hospital	New Lenox	3.5	11	21,394	15	5	6,181	4	16	19	(3)	Yes
Adventist Bolingbrook Hospital	Bolingbrook	23.0	6	7,138	5	7	4,169	3	13	8	5	No
Presence Saint Joseph Medical Center	Joliet	25.3	17	18,306	13	8	5,687	4	25	17	8	No
Franciscan St James Health Olympia Fields	Olympia Fields	28.8	7	3,499	3	6	2,524	2	13	5	8	No
Advocate South Suburban Hospital	Hazel Crest	28.8	9	13,140	9	2	3,239	2	11	11	(0)	Yes
Ingalls Memorial Hospital	Harvey	29.9	9	9,569	7	4	1,091	1	13	8	5	No
Edward Hospital	Naperville	32.2	18	25,898	18	9	5,914	4	27	22	5	No
MetroSouth Medical Center	Blue Island	32.2	10	6,911	5	5	4,545	3	15	8	7	No
Palos Community Hospital	Palos Heights	34.5	14	20,009	14	5	6,359	4	19	18	1	No
Elmhurst Memorial Hospital	Elmhurst	36.8	14	25,128	17	6	6,700	4	20	21	(1)	Yes
Roseland Community Hospital	Chicago	38.0	4	803	1	6	1,216	1	10	2	8	No
Adventist GlenOaks Hospital	Glendale Heights	38.0	5	3,015	3	3	1,145	1	8	4	4	No
Advocate Good Samaritan Hospital	Downers Grove	38.8	15	23,181	16	8	5,345	4	23	20	3	No
Adventist Hinsdale Hospital	Hinsdale	40.3	12	19,172	13	6	4,858	3	18	16	2	No
Adventist La Grange Memorial Hospital	La Grange	42.6	11	12,846	9	4	3,476	2	15	11	4	No
Advocate Christ Medical Center	Oak Lawn	42.6	39	72,429	49	10	12,019	8	49	57	(8)	Yes
Morris Hospital & Healthcare Centers	Morris	43.7	4	6,633	5	5	3,571	2	9	7	2	No
Advocate Trinity Hospital	Chicago	43.7	6	6,350	5	5	3,873	3	11	8	3	No
St Bernard Hospital	Chicago	43.7	7	2,311	2	0	0	0	7	2	5	No
Central DuPage Hospital	Winfield	43.7	26	41,252	28	7	9,684	6	33	34	(1)	Yes
<b>Total</b>			<b>244</b>	<b>338,984</b>	<b>237</b>	<b>111</b>	<b>91,596</b>	<b>61</b>	<b>355</b>	<b>298</b>	<b>57</b>	

Source: Hospital Profiles CY2015