



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-08	BOARD MEETING: September 26, 2017	PROJECT NO: 17-018	PROJECT COST: Original: \$1,107,044
FACILITY NAME: DuPage Vascular Care		CITY: Woodridge	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The applicants (DuPage Vascular Care, LLC, and Nephrology Associates of Northern Illinois, Ltd.) are proposing to establish a single specialty ambulatory surgical treatment facility (ASTC) in Woodridge at a cost of \$1,107,044. The project completion date as stated in the application is December 1, 2017.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DuPage Vascular Care and Nephrology Associates of Northern Illinois, Ltd (NANI)) are proposing to establish a single specialty ambulatory surgical treatment facility at 7425 Janes Avenue, Woodridge. The project cost is \$1,107,044. The project completion date as stated in the application is December 1, 2017.
- The proposed facility will be single-specialty, with one (1) procedure room, and the focus will be on vascular access establishment/maintenance for ESRD patients.
- Nephrology Associates of Northern Illinois (NANI) have been providing clinical nephrology services to the northern Illinois/Indiana area for almost 50 years, and is recognized as the second-largest nephrology practice in the United States
- The proposed project is a substantive project subject to part 1110 and 1120 review. A Safety Net Impact statement accompanied the application.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project establishes a health care facility (ASTC) as defined by the Illinois Health Facilities Planning Act. (20 ILCS 3960/3)

PURPOSE OF THE PROJECT:

- The applicants stated:

“The purpose of this project is to ensure the residents of the community and the patients historically served by NANI will continue to have access to the vascular care surgical procedures they need. This is, quite literally, a matter of life and death. There have been changes in reimbursement that have fundamentally altered the reimbursement models available for vascular access procedures driving those procedures to be done in either hospitals or surgery centers. The performance of these procedures in an ASTC setting is substantially more cost-effective than in hospitals, allows for dedicated staff well versed and trained in the needs of patients with compromised vascular systems, and who are receiving treatment for end-stage renal disease. This ASTC is designed to continue to serve those NANI patients who have come to depend on quality care to facilitate their ability to receive dialysis and to ensure availability of care for those whose current providers elect to cease the provision of these services. Establishment of this single-specialty ASTC will improve the healthcare available within this community, it will improve the well being of the patients it serves, and it will increase the access to available care for those in the surrounding communities who unexpectedly find themselves in need .”(Application, p. 80)

PUBLIC HEARING/COMMENT:

- A public hearing was offered in regard to the proposed project, but no public hearing was requested. No letters of opposition or support were received by the Board Staff in regard to the proposed project.

SUMMARY:

- The State Board Staff reviewed the application for permit and additional information provided by the applicants and note the following:
- The proposed project is a request by the applicant for the State Board to determine the need to establish a licensed ASTC. The Illinois Department of Public Health defines an ambulatory surgery center as “*Any institution or building devoted primarily to the maintenance and operation of facilities for the performance of surgical procedures, and any place that meets and complies with the definition of an ambulatory surgical treatment center under the Act and this Part, as evidenced by use of the facilities by physicians, podiatrists or dentists in the performance of surgical procedures that constitutes more than 50 percent of the activities at that location (77 IAC 205.110).*”
- **Reviewer Note:** While the Illinois Department of Public Health (IDPH) defines what constitutes a licensed surgical center the Department does not determine the need for an ASTC. The Illinois Health Facilities and Services Review Board determine the need for an ASTC. Should the State Board approve this project the applicant will then petition IDPH to license the approved ASTC.
- **Reviewer Note:** In November 2016 CMS released its Final Rule on the 2017 Medicare Physician Fee Schedule in which dialysis vascular access services provided by interventional nephrologists will be reduced because of the CMS policy requiring services that are billed together more than 75% of the time to be bundled. This became effective January 1, 2017.
- There is excess capacity in the proposed 45-minute geographical service area at hospitals and the multi-specialty ASTCs. Limited specialty ASTCs are not considered in the evaluation of excess capacity because these facilities are required to submit an application for permit to the State Board to add additional specialties.
- The applicant argues that the proposed ASTC will provide vascular access surgery, exclusively in an outpatient setting. These vascular access procedures are considered non-emergent in nature, are not high reimbursement procedures, and are often under-prioritized in the inpatient hospital setting for more complex, emergent surgical needs. The proposed project will ensure the vascular access needs of the community will be met.

The applicant addressed a total of twenty-two (22) criteria and was not compliant with the following:

Criteria	Reasons for Non-Compliance
77 IAC 1110.1540 d) – Service Demand	By rule referrals to health care providers other than licensed IDPH-ASTCs or hospitals are not included in determining projected patient volume (i.e. patient demand). The applicant’s referrals are all from the office based setting which is not a licensed ASTC or hospital.
77 IAC 1110.1540 g) - Service Accessibility	There is unused surgical capacity at both hospitals and ASTCs in the proposed geographical service area that would be able to absorb the workload of the proposed facility. (See Table Six at the end of this report)
77 IAC 1110.1540 h) 1) – Unnecessary Duplication of Service	There are thirty two (32) hospitals within forty-five (45) minutes of the proposed project twenty-seven (16) are not at target occupancy. Of the forty-five (45) operating ASTCs within forty-five (45) minutes thirty-five (35) are not at target occupancy. (See Table Six at the end of this report)
77IAC 1120.140(c) – Reasonableness of Project Costs	The applicants reported contingency costs in excess of the State Board standard for a modernization project with architectural contracts in the preliminary stage (7-10%)

**DuPage Vascular Care
STATE BOARD STAFF REPORT
Project #17-018**

APPLICATION CHRONOLOGY	
Applicants(s)	DuPage Vascular Care, LLC Nephrology Associates of Northern Illinois, Ltd. (NANI)
Facility Name	DuPage Vascular Care
Location	7425 Janes Avenue, Suite 101, Woodridge, IL
Permit Holder	DuPage Vascular Care, LLC
Operating Entity/Licensee	DuPage Vascular Care, LLC
Owner of Site	Pogo Properties, LLC
Gross Square Feet	4,026 GSF
Application Received	April 13, 2017
Application Deemed Complete	April 19, 2017
Financial Commitment Date	Upon Permit Issuance
Anticipated Completion Date	December 1, 2017
Review Period Ends	August 17, 2017
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. Project Description

The applicants (DuPage Vascular Care, LLC, and Nephrology Associates of Northern Illinois (NANI)) are proposing to establish a single-specialty ambulatory surgical treatment facility at a cost of \$1,107,044, located at 7425 Janes Avenue, Suite 101, Woodridge. The project completion date is December 1, 2017.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is not in conformance with all relevant provisions of Part 1110.
- B. The State Board Staff finds the proposed project is not in conformance with all relevant provisions of Part 1120.

III. General Information

The applicants are DuPage Vascular Care, LLC, and Nephrology Associates of Northern Illinois (NANI). The proposed project will establish a single specialty ASTC, providing surgical vascular access procedures to dialysis patients in the Woodridge/DuPage County service area.

IV. Health Service Area/Health Planning Area

The proposed ASTC will be located in DuPage County in Health Service Area 07. HSA-07 includes DuPage and suburban Cook counties. There are forty-nine (49) Ambulatory Surgical Treatment Centers in HSA-07, and only one other facility reported as specializing in vascular access surgical services. Project #17-005, Chicago Vascular ASC was approved for permit by the Illinois Health Facilities and Services Review Board on May 2, 2018.

V. Project Description

DuPage Vascular Care is currently operating in Woodgrove Medical and Professional Center, in a facility that currently specializes in vascular access procedures. The applicants propose to build out the current facility to ASTC specifications, containing one procedure room (2,129 GSF), and sufficient administrative/non-clinical space (2,077 GSF), to support the prescribed clinical operations. The original facility was designed using the 2003 International Building Code standards. The facility will be modernized using the 2014 Life Safety Code standards, which is sufficient for CMS/Medicare/Medicaid standards.

VI. Project Costs

The applicants are proposing to fund the project with a combination of cash in the amount of \$682,770, and the fair market value (FMV) of leases totaling \$424,274. The estimated start-up costs and operating deficit reported for this project is \$41,700.

Table Three			
Project Uses and Sources of Funds			
Use of Funds	Reviewable	Non Reviewable	Total
Modernization Contracts	\$217,700	\$297,000	\$514,700
Contingencies	\$25,378	\$34,622	\$60,000
Architectural/engineering Fees	\$10,000	\$30,000	\$40,000
Consulting and Other Fees	\$0	\$26,370	\$26,370
Fair Market Value of Leased Space/Equipment	\$163,137	\$261,137	\$424,274
Other Costs to be Capitalized	\$0	\$41,700	\$41,700
Total Use of Funds	\$416,215	\$690,829	\$1,107,044
Sources of Funds			
Cash and Securities	\$253,078	\$429,692	\$682,770
FMV of Leases	\$163,137	\$261,137	\$424,274
Total Source of Funds	\$416,215	\$690,829	\$1,107,044
Source: Application for Permit Page 6			

VII. Purpose of the Project, Safety Net Impact Statement, Alternatives

A) Criterion 1110.230(a) – Purpose of the Project

The applicants are asked to:

1. Document that the project will provide health services that improve the health care or well-being of the market-area population to be served.
2. Define the planning area or market area, or other area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project.
4. Cite the sources of the information provided as documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

The applicants stated the following:

“The purpose of this project is to ensure the residents of the community and the patients historically served by NANI will continue to have access to the vascular care surgical procedures they need. This is, quite literally, a matter of life and death. There have been changes in reimbursement that have fundamentally altered the reimbursement models available for vascular access procedures driving those procedures to be done in either hospitals or surgery centers. The performance of these procedures in an ASTC setting is substantially more cost-effective than in hospitals, allows for dedicated staff well versed and trained in the needs of patients with compromised vascular systems, and who are receiving treatment for end-stage renal disease. This ASTC is designed to continue to serve those NANI patients who have come to depend on quality care to facilitate their ability to receive dialysis and to ensure availability of care for those whose current providers elect to cease the provision of these services. Establishment of this single-specialty ASTC will improve the healthcare available within this community, it will improve the well being of the patients it serves, and it will increase the access to available care for those in the surrounding communities who unexpectedly find themselves in need.” (Application, p. 80)

B) Criterion 1110.230(b) – Safety Net Impact Statement

The applicants are asked to document:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

The applicants stated the following:

The project will have no impact on safety net services. Vascular access procedures are not considered a safety net procedure. If anything, doing these procedures in an ASC setting versus a hospital will lessen the burden on hospitals, which do provide safety net services. Further, it will decrease the costs of payers for safety net services, such as Medicaid and Medicare.

TABLE FOUR			
Charity Care Information			
DuPage Vascular Care			
Net Patient Revenue	\$2,218,178	\$2,053,208	\$2,104,200
CHARITY			
	2014	2015	2016
# of Charity Care (Self-Pay)	10	3	7
Cost of Charity Care	\$52,724	\$19,031	\$21,788
Ratio of Charity Care to Net Patient Revenue	2.38%	0.93%	1.03%
MEDICAID			
	2014	2015	2016
Medicaid (# of patients)	48	45	10
Medicaid (revenue)	\$66,209	\$70,364	\$2,326
% of Medicaid to Net Revenue	2.98%	3.43%	0.11%
Source: Application for Permit pages 166-167			

C) Criterion 1110.230(c) Alternatives to the Project

To demonstrate compliance with this criterion the applicants must 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 applicants considered four alternatives in total. [Application for Permit page 82-83]

1. Exit the Marketplace

The applicants rejected this option, because maintaining vascular access is a matter of life or death for many ESRD patients, and changes in reimbursement for these services has prompted many hospitals and ASTCs to exit the marketplace already. The multitude of patients served by NANI rely on NANI to provide surgical procedures associated with vascular access, at a time when many providers have elected to exit this marketplace. There were no costs identified with this alternative.

2. Utilize a Hospital Surgical Suite

The applicants rejected this alternative because the hospitals and ASTCs see vascular access procedures as not having sufficient reimbursement capabilities, and often “prioritize” other procedures over or ahead of them, forcing the NANI physicians to delay, reschedule, or schedule vascular access procedures at times that are inconvenient for the patient and practitioner. The applicants note these reschedules often involve the patient neglecting to have a required vascular access procedure performed, resulting in a state of compromised health. The applicants want to ensure their vascular access patients have continuous access to the care they need. There were no costs identified with this alternative.

3. Rely on Available Capacity at Other Surgery Centers

Like the previous alternative, the scheduling of cases at surgery centers (ASTCs), often results in vascular access patients not being “prioritized” due to low reimbursement, which often results in the patients placing their health at risk by not having vascular access procedures performed. The applicants want to ensure their ESRD patients have continued access to this modality, in a setting where the clinicians are familiar with the surgical practices associated with dialysis and vascular access. There were no costs identified with this option.

4. Project as Proposed

The applicants chose the option proposed, based on the cost-effective, patient centered, comprehensive means of ensuring patient access to quality vascular care. The physicians associated with NANI are confident that the existing patient population, combined with the projected patient population will provide sufficient referral capacity to make the proposed ASTC a viable health care entity in the service area. Cost associated with this option: \$1,107,044.

VIII. Size of the Project, Projected Utilization of the Project, Assurances

A) Criterion 1110.234(a) – Size of the Project

To document compliance with this criterion the applicants must document that the proposed surgical rooms and recovery stations meet the State Board GSF Standard’s in Section 1110.Appendix B.

The applicants are proposing to build out an existing vascular access center containing one (1) procedure room, to meet specifications for an Ambulatory Surgery Treatment Center (ASTC) with 2,129 BGSF of clinical space. The State standard for ASTC rooms is 1600-2,200DGSF per room, and it appears the applicant has met the requirements of the criterion.

B) 1110.234(b) – Projected Utilization

To document compliance with this criterion the applicants must document that the proposed surgical/procedure rooms will be at target utilization or 1,500 hours per operating/procedure room by the second year after project completion. Section

1110.Appendix B

The State Board Standard is 1,500 hours per operating room. The applicants are projecting a total of 1,492 hours by the second year of operation, based on historical utilization data, with an average procedure time of 73 minutes. The applicants have met the requirements of this criterion. (application, p. 86).

C) Criterion 1110.234 (e) – Assurances

To document compliance with this criterion the applicants must provide an attestation that the proposed project will be at target occupancy two years after project completion.

The applicants have provided the necessary attestation at page 118 of the Application for Permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA SIZE OF THE PROJECT, PROJECTED UTILIZATION, AND ASSURANCES (77 IAC 1110.234(a), (b), and (e))

IX. Establish an Ambulatory Surgical Treatment Center

A) Criterion 1110.1540(b)(1) to (3) - Background of the Applicant

To demonstrate compliance with this criterion the applicants must provide documentation of the following:

- 1) Any adverse action taken against the applicant, including corporate officers or directors, LLC members, partners, and owners of at least 5% of the proposed healthcare facility, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application.
- 2) A listing of all health care facilities currently owned and/or operated by the applicant in Illinois or elsewhere, including licensing, certification and accreditation identification numbers, as applicable;

Nephrology Associates of Northern Illinois, Ltd. (NANI), is the parent corporation of and has sole ownership interest of DuPage Vascular Care, LLC. NANI consists of 86 physicians (65 in Illinois, 21 in Indiana) who specialize in nephrology. The applicants supplied proof of their Certificates of Good Standing, and licensure/accreditation will occur should the project be approved. A letter was supplied, permitting the State Board, and IDPH to verify any information contained in this application. [Source: Application for Permit pg. 66]

Dr. Samir Kumar, M.D., submitted a referral letter on behalf of NANI, agreeing to the referral of approximately 1,390 patients the proposed ASTC, in the first two years following project completion. (application, p. 94)

A copy of the term sheet for the renewal of the building lease between NANI and Pogo Properties, LLC was provided at pages 25-62 as evidence of site ownership.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANTS (77 IAC 1110.1540 (b) (1) to (3))

B) Criterion 1110.1540(c) (2) (A) and (B) – Service to GSA Residents

To demonstrate compliance with this criterion the applicants must provide a list of zip codes that comprise the geographic service area. The applicant must also provide patient origin information by zip code for the prior 12 months. This information must verify that at least 50% of the facility’s admissions were residents of the geographic service area.

1. By rule the applicants are to identify all zip codes within the geographical service area (45 minutes) of the proposed ASTC. The applicants provided this information on page 95 of the application for permit. The applicants also provided a list of vascular access procedures, and the estimated time for each (application, p. 97).

Based upon the information provided in the application for permit and summarized above it appears that the proposed ASTC will provide services to the residents of the forty-five (45) minute geographic service area.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION GEOGRAPHIC SERVICE AREA NEED (77 IAC 1110.1540(c) (2) (A) and (B))

C) Criterion 1110.1540(d) (1) and (2) - Service Demand – Establishment of an ASTC Facility

To demonstrate compliance with this criterion the applicants must provide physician referral letters that attest to the total number of treatments for each ASTC service that was referred to an existing IDPH-licensed ASTC or hospital located in the GSA during the 12-month period prior to the application. The referral letter must contain:

1. Patient origin by zip code of residence;
2. Name and specialty of referring physician;
3. Name and location of the recipient hospital or ASTC; and
4. Number of referrals to other facilities for each proposed ASTC service for each of the latest two years;
5. Estimated number of referrals to the proposed ASTC within 24 months after project completion
6. Physician notarized signature signed and dated; and
7. An attestation that the patient referrals have not been used to support another pending or approved CON application for the subject services.

By rule the referrals to a proposed ASTC must be from IDPH licensed ASTC or hospitals. The applicants submitted a referral letter attesting to the historical referral of 1,323 patients for vascular access care in the past year, and the approximate referral of 1,492 patients to the ASTC, by the second year after project completion. However these referrals were not from IDPH licensed ASTCs or hospitals in the proposed GSA and cannot be accepted. These referrals are from the individual physician practices at NANI which are not licensed by the Illinois Department of Public Health. The applicants have not met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT CONFORMANCE WITH CRITERION SERVICE DEMAND (77 IAC 1110.1540(d) (1) and (2))

D) Criterion 1110.1540(f) (1) and (2) - Treatment Room Need Assessment

To document compliance with this criterion the applicants must provide the projected patient volume or hours to justify the number of operating rooms being requested. The applicants must document the average treatment time per procedure.

1. Based upon the State Board Staff's review of the referral letter, the applicants can justify 1,323 hours in the first year after project completion. This number of operating/procedure hours will justify the one (1) procedure room being requested by the applicants.
2. The applicants supplied an estimated time per procedure (application, p. 97), which includes prep/clean-up. This time was gathered from historical access procedures performed at Woodridge Vascular ASC in the past 12 months (2016). The average time per procedure was 73 minutes.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION TREATMENT ROOM NEED ASSESSMENT (77 IAC 1110.1540(f) (1) and (2))

E) Criterion 1110.1540 (g) - Service Accessibility

To document compliance with this criterion the applicants must document that the proposed ASTC services being established is necessary to improve access for residents of the GSA by documenting one of the following:

1. There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project;
2. The other IDPH-licensed ASTC and hospital surgical/treatment rooms used for those ASTC services proposed by the project within the identified GSA are utilized at or above the utilization level specified in 77 Ill. Adm. Code 1100;
3. The ASTC services or specific types of procedures or operations that are components of an ASTC

service are not currently available in the GSA or that existing underutilized services in the GSA have restrictive admission policies;

4. The proposed project is a cooperative venture sponsored by two or more persons, at least one of which operates an existing hospital. Documentation shall provide evidence that:
 - A) The existing hospital is currently providing outpatient services to the population of the subject GSA;
 - B) The existing hospital has sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital and at the proposed ASTC, based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100;
 - C) The existing hospital agrees not to increase its surgical/treatment room capacity until the proposed project's surgical/treatment rooms are operating at or above the utilization rate specified in 77 Ill. Adm. Code 1100 for a period of at least 12 consecutive months; and
 - D) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

1. There are existing ASTCs in the identified GSA. [See Table Six at the end of this report.]
2. There are underutilized ASTC and hospital surgical/treatment rooms in the identified GSA. [See Table Five at the end of this report]
3. The proposed surgical services are available in the GSA. However, the applicants note a fundamental change in the reimbursement model/scheduling prioritization for these procedures predicates the need to provide this service in a more focused/cost effective manner, in facilities outside of the traditional hospital surgical suite. Currently, there are underutilized ASTCs and Hospital surgical suites in the service area. However, the supply of vascular access facilities is limited, making this access to this specialized service in demand. (Application p. 42).
4. The State Board Staff does not consider the proposed project a cooperative venture with one of the persons operating an existing hospital.

Table Five shows that there are existing ASTCs and hospitals in the service area with surgical services functioning beneath the State Board standard. The applicant has not met the requirements of this criterion.

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

F) Criterion 1110.1540(h) (1), (2), and (3) - Unnecessary Duplication/Mal-distribution/Impact on Other Providers

1. To demonstrate compliance with this criterion the applicants must provide a list of all licensed hospitals and ASTCs within the proposed GSA and their historical utilization (within the 12-month period prior to application submission) for the existing surgical/treatment rooms.
- 2) To demonstrate compliance with this criterion the applicants must document the ratio of surgical/treatment rooms to the population within the proposed GSA that exceeds one and one half-times the State average.
- 3) To demonstrate compliance with this criterion the applicants must document that, within 24 months after project completion, the proposed project:
 - A) Will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and
 - B) Will not lower, to a further extent, the utilization of other GSA facilities that are currently (during the latest 12-month period) operating below the utilization standards.

The applicants stated the following to address this criterion:

State Board Staff identified a general service area (GSA), extending 45 minutes in all directions from the site of the proposed ASTC. This GSA includes 109 zip codes outside of Cook and DuPage counties, and the 2015 population estimates for this GSA is 7,671,497, per Nielsen Pop-Facts.

There are a total of thirty two (32) hospitals and fifty two (52) ASTCs in the identified 45-minute service area. [See Table Six at the end of this report].

1. Unnecessary Duplication of Service

1. Limited/Multi-Specialty ASTCs

There are fifty-two (52) limited/multi-specialty ASTCs within forty-five minutes, seven (7) are not operational and of the remaining forty-five (45) ASTCs, ten (10) are at target occupancy. Twenty-three (23) of the forty-five (45) ASTCs did not provide Medicaid services in CY 2015. **Reviewer Note:** Multi-specialty ASTC can add a specialty without approval of the State Board until January 2018. One limited-specialty ASTC being established will provide vascular access services exclusively. Chicago Vascular ASC (Project #17-005) was approved by IHFSRB at its May 2017 board meeting. Scheduled completion date: December 31, 2018.

2. Hospitals

There are thirty two (32) hospitals within the proposed 45-minute GSA, sixteen (16) hospitals are at the target occupancy of 1,500 hours per surgery/procedure room.

2. Mal-Distribution

According to the applicants, maldistribution does not exist, based on the specialty services provided, and the tendency of area hospitals and ASTCs to de-prioritize vascular procedures. As mentioned earlier, these procedures are not considered profitable, and are often reserved for non-traditional surgery hours. State Board staff identified a significant number of hospitals and ASTCs that could be classified as underperforming (see Table Six). Based on these findings, maldistribution does exist in the service area.

Reviewer Note: A surplus is defined as the ratio of operating/procedure rooms to the population within the forty-five (45) minute GSA [GSA Ratio], to the State of Illinois ratio that is 1.5 times the GSA ratio.]

3. Impact on Other Facilities

The applicants stated that no other provider within the forty-five (45) minute service area will be impacted because the proposed project calls for the licensing of an existing physicians practice with an existing patient base, providing vascular access service for dialysis treatments. The procedure is considered specialized and is normally performed in hospital operating/procedure rooms. The proposed project will actually allow the applicant to perform more of the specialized procedures in an ASTC setting, and allow practicing physicians in the service area to increase their referral volume. The propose project will not negatively impact area facilities.

The applicant has not met this requirement because there are number of existing ASTCs and hospitals currently underutilized in the proposed GSA.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION OF SERVICE, MALDISTRIBUTION/ IMPACT ON OTHER FACILITIES (77 IAC 1110.1540 (h) (1), (2), and (3))

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

To demonstrate compliance with this criterion, the applicants must provide documentation that relevant clinical and professional staffing needs will be met and a medical director will be selected that is board certified.

To address this criterion the applicants provided a staffing matrix of employees already working in the facility, and their positions (application, p. 115). The applicants will appoint one of the existing NANI physicians (all Board-certified Nephrologists), to serve as medical director of the facility upon project completion. Based upon the information provided in the application for permit, it appears that the proposed ASTC will be properly staffed.

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

H) Criterion 1110.1540 (j) - Charge Commitment
To document compliance with this criterion the applicants must provide the following:

- 1) A statement of all charges, except for any professional fee (physician charge); and
- 2) 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 applicants supplied a statement of charges (application, p. 116), with attestation that the identified charges will not increase for at least the first two years in operation as an ASTC (application, p. 116). [See Table Seven at the end of this report]

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

I) Criterion 1110.1540 (k) - Assurances
To demonstrate compliance with this criterion the applicants must attest that a peer review program will be implemented and the proposed ASTC will be at target occupancy two years after project completion.

The applicants provided certified attestation (see project file), that Chicago Vascular ASC will continue to maintain quality patient care standards, and meet or exceed the utilization standards specified in 77 IAC 1100, by the second year of operation.

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

X. FINANCIAL VIABILITY

The purpose of the Illinois Health Facilities Act “*This Act shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs.*” [20 ILCS 3960]

A) Criterion 1120.120 - Availability of Funds

B) Criterion 1120.130 - Financial Viability

To demonstrate compliance with this criterion the applicants must provide evidence that sufficient resources are available to fund the project.

The applicants are funding this project with a combination of cash/securities in the amount of \$682,770, leases with a fair market value totaling \$424,274.

The applicant applicants supplied a letter from Huntington National Bank, attesting to Nephrology Associates of Northern Illinois (NANI) having over \$800,000 in funds deposited to support the purchase of equipment. It appears that the applicants have met the requirements of this criterion.

The applicants supplied financial viability data for the first two years after project completion. These data are contained in Table Five below.

TABLE FIVE Projected Financial Ratios: Nephrology Associates of Northern Illinois (NANI)		
	State Board Standard	2018 (Projected)
Current Ratio	1.5	2.98
Net Margin Percentage	2.50%>	62.7%
Percent Debt to Total Capitalization	<50%	.74%
Projected Debt Service Coverage	>1.5	2.98
Days Cash on Hand	>45 days	248.28
Cushion Ratio	>3	3.98

Sources	Reviewable	Non Reviewable	Total	% of Total
Cash and Securities	\$253,078	\$429,692	\$682,770	61.7%
FMV of Leases	\$163,137	\$261,137	\$424,274	38.3%
Total Source of Funds	\$416,215	\$690,829	\$1,107,044	100%
Source: Application for Permit Page 6				

Based upon the information reviewed it appears funds are available.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS AND FINANCIAL VIABILITY (77 IAC 1120.120 and 77 IAC 1120.130)

XI. ECONOMIC FEASIBILITY

A) Criterion 1120.140(a) - Reasonableness of Financing Arrangements

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

The applicants are funding this project with a combination of cash/securities in the amount of \$682,770, and the fair market value of the lease totaling \$424,274. The applicants provided documentation proving financing for the proposed project comes from internal sources, and that sufficient financial viability exists to fund the project in its entirety. Therefore, these criteria have been met

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS TERMS OF DEBT FINANCING (77 IAC 1120.140 (a) (b))

C) Criterion 1120.140 (c) - Reasonableness of Project Costs

The State Board staff applied the reported clinical costs against the applicable State Board standards.

Modernization Costs – These costs total \$217,700 or \$102.25/GSF. ($\$217,700/2,129 \text{ GSF} = \102.25). This appears reasonable when compared to the State Board Standard of \$272.82/GSF (2018 mid-point of construction).

Contingency Costs – These costs total \$25,378, which is 11.6% of the modernization cost listed above. This is in excess of the State standard (7-10%) for contingency costs for a modernization project with drawing in the preliminary stage.

Architectural and Engineering Fees – These costs total \$10,000 and are 4.1% of modernization and contingencies. These costs appear reasonable when compared to the State Board Standard of 9.48% - 14.22%.

Fair Market Value of Lease Space/Equipment – These cost total \$163,137. The State Board does not have a standard for these costs.

The applicants report contingency costs in excess of the State Board standard for this project, and a negative finding results.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1120.140(c))

D) Criterion 1120.140(d) Projected Operating Costs

To determine compliance with this criterion the applicants must provide documentation of the projected operating costs per procedure.

The applicants provided the necessary information as required. The projected operating cost per day is \$4,806. The State Board has no applicable standard for these costs.

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

**E) Criterion 1120.140(e) – Total Effect of the Project on Capital Costs
To determine compliance with this criterion the applicants must provide documentation of the projected capital costs per equivalent patient day.**

The applicants provided the necessary information as required. The projected capital cost per patient day is \$8,076. The State Board has no applicable standard for these costs.

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

TABLE SIX

Facilities in the 45 Minute Travel Radius of Proposed Facility

Facility	City	Type	Time	OR/Procedure Rooms	Hours	Medicaid	Medicare	Met Standard?
ASTC								
Ambulatory Surgery Ctr. of Downers	Downers Grove	Limited	12	3	951	N	N	N
Naperville Fertility Ctr.	Naperville	Limited	13	1	814	N	N	Y
Midwest Endoscopy Ctr.*	Naperville	Limited	14	2	6,458	N	Y	Y
The Center for Surgery	Naperville	Multi	14	11	4,205	Y	Y	N
Cadence Ambulatory Surgery Ctr.	Warrenville	Multi	14	4	4,341	Y	Y	N
DuPage Medical Group Surgery Ctr.	Lombard	Multi	14	8	9,844	N	Y	N
Naperville Surgical Ctr.	Naperville	Multi	15	3	1,664	N	Y	N
Midwest Ctr. for Day Surgery	Downers Grove	Multi	16	5	3,433	N	Y	N
Rush Oak Brook Surgical Centre	Oak Brook	Multi	17	6	2,807	Y	Y	N
Salt Creek Surgery Ctr.	Westmont	Multi	19	4	3,573	N	Y	N
Silver Cross Ambulatory Treatment Ctr.	New Lenox	Multi	19	N/A	N/A	N/A	N/A	N/A
Chicago Vascular ASC	Westmont	Limited	21	N/A	N/A	N/A	N/A	N/A
Chicago Prostate Cancer Surgery Ctr.	Westmont	Limited	21	2	629	N	Y	N
Loyola Ambulatory Surgery Center at	Villa Park	Multi	21	3	2,465	Y	Y	N
Elmhurst Foot & Ankle	Elmhurst	Limited	21	1	161	N	Y	Y
Eye Surgery Ctr. of Hinsdale	Hinsdale	Limited	23	2/1	1,633	N	Y	N
Edward Plainfield Surgery Ctr.	Plainfield	Multi	24	4	2,500	N	N	N
Elmhurst Outpatient Surgery Ctr	Elmhurst	Multi	25	8	3,331	N	Y	N
Hinsdale Surgical Ctr.	Hinsdale	Multi	25	6	5,316	Y	Y	N
Oak Brook Surgical Ctr	Oak Brook	Multi	25	6	2,090	Y	Y	N
DMG Pain Management Surgery Ctr.	Naperville	Limited	25	2	3,029	N	Y	Y
Palos Health Surgery Ctr.	Orland Park	Multi	26	N/A	N/A	N/A	N/A	N/A
Orland Park Surgical Ctr.	Orland Park	Multi	26	N/A	N/A	N/A	N/A	N/A

TABLE SIX

Facilities in the 45 Minute Travel Radius of Proposed Facility

Facility	City	Type	Time	OR/Procedure Rooms	Hours	Medicaid	Medicare	Met Standard?
ASTC								
Southwest Surgery Ctr.	Mokena	Multi	26	5	6,320	Y	Y	N
Preferred Surgicenter, LLC	Orland Park	Multi	27	5	248	Y	Y	N
Dreyer Ambulatory Surgery Ctr.	Aurora	Multi	27	10	7,975	Y	Y	N
Castle Surgicenter	Aurora	Multi	27	2	1,473	Y	Y	N
Tinley Woods Surgery Ctr.	Tinley Park	Multi	28	5	3,783	N	Y	N
Forest Medical-Surgical Ctr.	Justice	Multi	29	4	765	N	Y	N
Children's Outpatient Services at	Westchester	Multi	29	3	2,793	Y	Y	N
DuPage Eye Surgery Ctr.	Wheaton	Limited	31	3/2	2,559	Y	Y	N
Advantage Heath Care	Wood Dale	Limited	32	2	1,940	N	N	Y
Amsurg Surgery Ctr.	Joliet	Multi	32	7	8,871	Y	Y	Y
Kendall Pointe Surgery Ctr.	Oswego	Multi	33	4	1,473	Y	Y	N
Aiden Ctr. for Day Surgery	Addison	Multi	34	4	530	N	Y	N
Northwest Community Day Surgery	Arlington	Multi	34	11	9,620	Y	Y	N
Novamed Ctr. for Reconstructive Surgery	Oak Lawn	Multi	34	4	1,589	Y	Y	N
Northwest Endoscopy Ctr.	Arlington	Limited	35	N/A	N/A	N/A	N/A	N/A
Palos Hills Surgery Ctr.	Palos Hills	Multi	35	2	1,670	Y	Y	Y
Chicago Surgical Clinic, Ltd	Arlington	Limited	36	N/A	N/A	N/A	N/A	N/A
Oak Lawn Endoscopy Ctr.*	Oak Lawn	Limited	36	2	5,513	Y	Y	Y
Loyola University ASTC	Maywood	Multi	37	8	9,883	Y	Y	N
United Urology Ctr. LaGrange	LaGrange	Limited	37	1	2,480	Y	Y	Y
Fox Valley Orthopaedic Associates	Geneva	Multi	39	4	4,335	N	Y	N
Hoffman Estates Surgery Center	Hoffman Estates	Multi	39	4	5,609	N	Y	Y
Novamed Surgery Ctr. of River Forest	River Forest	Multi	40	2	545	Y	Y	N

TABLE SIX

Facilities in the 45 Minute Travel Radius of Proposed Facility

Facility	City	Type	Time	OR/Procedure Rooms	Hours	Medicaid	Medicare	Met Standard?
ASTC								
Schaumburg Surgery Ctr.	Schaumburg	Limited	40	N/A	N/A	N/A	N/A	N/A
MagnaSurgical Ctr.	Bedford Park	Multi	41	3	2,192	Y	Y	N
Ashton Ctr. for Day Surgery	Hoffman Estates	Multi	42	4	1,704	Y	Y	N
Elmwood Park Same Day Surgery Ctr.	Elmwood Park	Limited	43	3	289	N	N	N
Palos Surgicenter	Palos Heights	Multi	43	5	3,052	N	Y	N
Valley Ambulatory Surgery Ctr.	St. Charles	Multi	45	8	5,626	N	Y	N

TABLE SIX (continued)
HOSPITALS WITHIN 45-MINUTES OF PROPOSED PROJECT

Facility	City	Time	OR/Procedure Rooms	Hours	Medicaid	Medicare	Utilization Met?
Advocate Good Samaritan Edward Hospital	Downers Grove	13	22	24,226	Y	Y	Y
Adventist Bolingbrook Hospital	Naperville	13	25	30,427	Y	Y	Y
Adventist Bolingbrook Hospital	Bolingbrook	15	9	11,242	Y	Y	N
Elmhurst Memorial Hospital	Elmhurst	18	20	31,828	Y	Y	Y
Silver Cross Hospital	New Lenox	19	16	27,575	Y	Y	Y
Adventist Glen Oaks Hospital	Glendale Heights	23	6	4,160	Y	Y	N
Adventist LaGrange Hospital	Lagrange	25	15	16,322	Y	Y	N
Alexian Brothers Medical Ctr.	Elk Grove Village	26	23	34,696	Y	Y	Y
Central DuPage Hospital	Winfield	26	32	50,055	Y	Y	Y
Adventist Hinsdale Hospital	Hinsdale	28	16	23,393	Y	Y	Y
Presence Mercy Medical Ctr.	Aurora	28	14	6,806	Y	Y	N
Rush Copley Memorial Hospital	Aurora	28	16	22,775	Y	Y	Y
Advocate Christ Hospital	Oak Lawn	32	49	86,448	Y	Y	Y
Presence St. Joseph Medical Ctr.	Joliet	32	25	23,993	Y	Y	N
Loyola University Medical Ctr.	Maywood	34	9	3,280	Y	Y	N
Northwest Community Hospital	Arlington Heights	35	23	33,399	Y	Y	Y
Rush Oak Park Hospital	Oak Park	35	12	9,232	Y	Y	N
Presence Resurrection Medical Ctr.	Chicago	35	23	16,442	Y	Y	N
Advocate Lutheran General Hospital	Park Ridge	35	33	54,030	Y	Y	Y

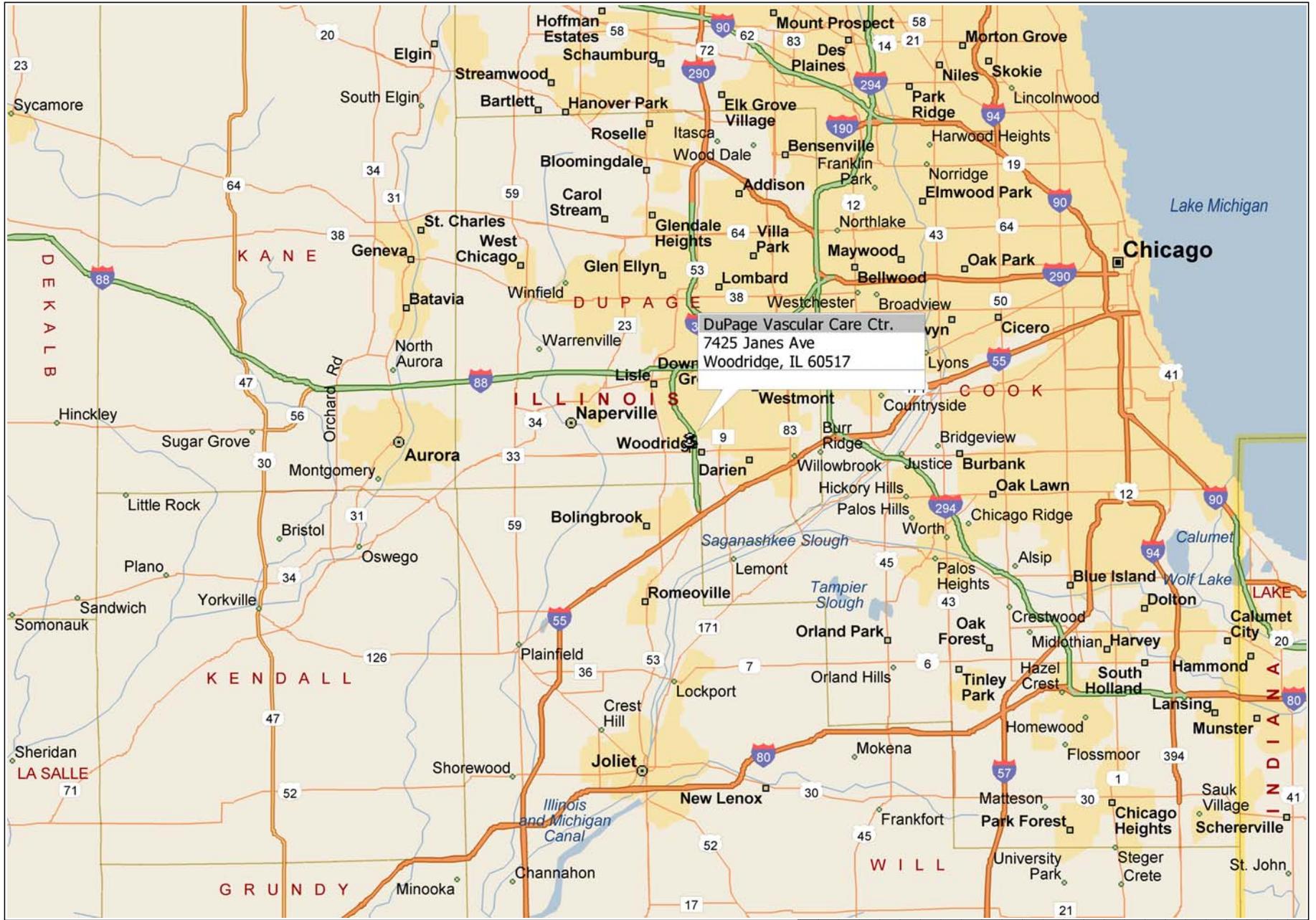
TABLE SIX (continued)
HOSPITALS WITHIN 45-MINUTES OF PROPOSED PROJECT

Facility	City	Time	OR/Procedure Rooms	Hours	Medicaid	Medicare	Utilization Met?
Advocate South Suburban Hospital	Hazel Crest	36	11	16,379	Y	Y	Y
Palos Community Hospital	Palos Heights	37	18	25,832	Y	Y	Y
Presence Holy Family Hospital	Des Plaines	37	10	2,151	Y	Y	N
VHS Westlake Hospital	Melrose Park	39	11	13,510	Y	Y	N
Loretto Hospital	Chicago	39	7	832	Y	Y	N
MacNeal Memorial Hospital	Berwyn	39	18	18,148	Y	Y	N
Glenbrook Hospital	Glenview	41	16	28,871	Y	Y	Y
Loyola Health System at Gottlieb	Melrose Park	41	11	13,510	Y	Y	N
Delnor Community Hospital	Geneva	43	10	12,286	Y	Y	N
Stroger Hospital of Cook County	Chicago	43	20	33,940	Y	Y	Y
Little Company of Mary Hospital	Evergreen Park	45	16	13,312	Y	Y	N
MetroSouth Medical Center	Blue Island	45	15	11,456	Y	Y	N
Mercy Hospital & Medical Ctr.	Chicago	45	12	16,517	Y	Y	Y
Travel time determined using formula in 77IAC 1100.510 (d) Data taken from CY 2015 Hospital/ASTC Profiles NA – information not available							

TABLE SEVEN
Charges for Procedures Performed at Proposed ASTC

CPT Description	2017 CPT Code	Charge
Fistulogram	36901	\$1,500
Venous Angioplasty	36902	\$3,300
Arterial Angioplasty	36902	\$3,300
Stent + Angioplasty	36903	\$15,000
Thrombectomy + Angioplasty	36905	\$6,100
Stent + Thrombectomy	36906	\$18,000
Central Venous Cath Insertion	36558	\$1,811.45
Central Venous Cath Removal	36589	\$2,016.46
Central Venous Cath Exchange	36581	\$2,016.46
Cephalic Vein Transposition Fistula	36818	\$2,015
BVT Fistula	36819	\$2,127
Forearm Vein Transposition Fistula	36820	\$2,127
Direct Anastomosis Fistula	36821	\$1,927
AV Graft Creation	36830	\$1,940
PD Catheter Insert	49418	\$3,667
PD catheter Removal	49422	\$1,085
Fistula Revision	36832	\$2,200
Pseudoaneuysm	36901	\$1,500
Injection w Fistuagram	36002	\$3,300
Vein Mapping	36005	
	75820	
	75827	
Direct Brachial Puncture w/Fistula Imaging	36140	\$1,800
	36901.52	
Angioplasty w/Selective Cath & Imaging	36902	\$5,975
	36215	
	75710	
Thrombectomy no Angioplasty	36904	\$4,000
Central Venous Angioplasty	36902	\$5,300
Central Venous Stenting	36902	\$5,300
	36908	
Thrombectomy w/ Arterial Thrombus	36905	\$11,778
	37186	
	36215	
	75710	
Embolization w/Foreign Body Retrieval	36901	\$9,803
	36909	
	37197	\$3,186
Arterial Angioplasty	37246	\$4,600
Outside Fistula	36902	\$5,975
	36215	
	75710	
Venous Angioplasty	37248	\$4,000
No Fistula cannulation	36581	\$1,693.61
	77001	
Angioplasty w/IVUS	36902	\$7,000
	37252	
Ligation Collateral Vessel	37607	\$918
Fistula Superficialization Revision	36832	\$2,200

17-018 DuPage Vascular Care Center - Woodridge



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