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HEALTH FACILITIES &
SERVICES REVIEW BOARD

VIA OVERNIGHT DELIVERY

November 15, 2018

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

Re: CON Permit Renewal Request
Premier Cardiac Surgery Center, LLC
Project #17-058

Dear Ms. Avery:

Premier Cardiac Surgery Center, LLC ("Permit Holder") submits this letter as a permit renewal request in connection with the certificate of need ("CON") permit issued to Permit Holder for Project #17-058, which was granted by the Illinois Health Facilities and Services Review Board ("State Board") on February 27, 2018 ("Project"). Based on the reasons set forth in this letter, the Permit Holder requests a seven (7) month extension, making the new project completion date July 31, 2019.

Background

On February 27, 2018, the State Board approved a CON for the above-referenced Project. The CON permit allowed the Permit Holder to establish a single-specialty ambulatory surgical treatment center ("ASTC") in 4,172 gross square feet of leased space located within an existing physician office-based lab. The Project's initial total cost was $1,196,814. The Project's completion date was set for December 31, 2018 ("Project Completion Date").

Upon receipt of the CON permit, the Permit Holder decided to engage the services of a new architect. The Permit Holder selected the new architect, RKG Design Group ("Architect"), and finalized new architecture plans for the Project. The changes resulted in an increase in cost and square footage for the Project and the Permit Holder needed to submit to the State Board a permit alteration request. At that time, I counseled the Permit Holder to cease all work on the Project until the State Board acted on the permit alteration request. This work stoppage resulted in unforeseen delays.

On July 24, 2018, the State Board approved the permit alteration request. The alteration resulted in a 4.85% increase in both the Project's cost and square footage. As a result, the Project's square footage increased from 4,172 to 4,378 gross square feet. The Project's cost increased from $1,196,814 to $1,254,860.

The Permit Holder thereafter proceeded to find and engage a builder to perform the construction component of the Project. After a lengthy process, the Permit Holder selected a builder on November 14, 2018. The Permit Holder is ready to begin construction and plans to do so in the coming days.

Discussion

Due to the delays related to the permit alteration request and the protracted process to find and select a construction company to complete the work, the Permit Holder is now requesting a permit renewal. As required by the State Board regulations, 77 Ill. Adm. Code 1130.740(c), the Permit Holder provides the following: (a) the requested completion date; (b) a status report on the project; (c) a statement as to the reasons why the project has not been completed; and (d) confirmatory evidence by the permit holder's authorized representation that the project's costs and scope comply with the application as approved by the State Board.

(1) Amended Project Completion Date

As noted above, the Permit Holder requests a new Project Completion Date of July 31, 2019. This represents a seven (7) month extension to allow ample time for the contractor to complete construction activities, have the Permit Holder obtain a license from the Illinois Department of Public Health, and make final preparations for opening the ASTC. In addition, the Permit Holder is accounting for possible construction delays due to the winter season and holiday travel schedules of persons working on the Project.

(2) Status Report

The Project has not significantly advanced since the date of permit issuance. The Permit Holder completed its contract with its project legal counsel, ended its relationship with the first architect engaged during the CON permit application drafting and prosecution phase of the Project, engaged a new architecture firm, and recently selected a builder to complete the construction phase. In total, just $75,000 has been expended thus far, or 5.57% of the Project's total budget. A line item description of the Project budget, showing the initial project budget, the budget as amended in the July 2018 alteration, and the current expenditures is attached hereto as Attachment A.

(3) Cause of Project Delay

The Project has been delayed for two primary reasons. First, the Permit Holder ended its engagement with the initial Project architect shortly after permit issuance. Second, based on changes recommended by the new architect, the Permit Holder needed to obtain State Board approval of a permit alteration before proceeding with construction. Each of these reasons caused unforeseen delays and are explained below in greater detail.

(a) Selection of New Architect

The Project was initially delayed when the Permit Holder decided to find a new architect for the Project. The Permit Holder needed time to find and select a new architecture firm, a process which took longer than expected. Thereafter, the new architect took time to review and edit the surgery center's initial design plans

and submitted them to the Illinois Department of Public Health, Design and Construction Section ("DPH Section"). The new architect requested a 30-day review of the design development documents; but, the process ultimately took longer than anticipated. The DPH Section asked the architect to make changes to better-achieve the required one-way flow through the locker room area. Several follow up discussions took place between the new architect and state officials.

(b) Permit Alteration

Based on the new architect's changes to the floor plan, the Project's budget and overall square footage increased by almost five percent. Consequently, the Permit Holder was required to obtain a permit alteration from the State Board before a builder could be selected and construction activities could begin. According to the State Board's regulations, a permit holder is required to cease all activities until its alteration request is acted on by the State Board. Therefore, the Project was put on hold until the alteration process was completed.

(4) Authorized Representative's Attestation

Pursuant to 77 Ill. Adm. Code 1130.740(c)(4), Mark Berlin, Chief Operating Officer, acting as the Permit Holder's authorized representative, has executed a letter, attached hereto as Attachment B, which attests that the Project's costs and scope comply with the CON permit application approved by the State Board and that sufficient financial resources continue to be available to complete the Project.

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I respectfully request the State Board to review this CON permit renewal request as soon as possible. If necessary, the Permit Holder can attend the December 4, 2018 hearing in Bolingbrook, Illinois if the State Board determines such review is necessary. The Permit Holder requests State Board action on this date because approval of the request would allow construction to occur during a period of time when the interruption of patient services would have the least impact. If you have questions, please do not hesitate to contact me via e-mail or telephone. Thank you for your consideration.

Sincerely yours,

Joseph Hylak-Reinholtz
Legal Counsel for Permit Holder

JHR/jhr

Enclosures

INDEX OF ATTACHMENTS

Updated Project Costs and Sources of Funds	Attachment A
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ATTACHMENT A

Updated Project Costs and Sources of Funds

(see attached)

ATTACHMENT A

Updated Project Costs and Sources of Funds

PROJECT COSTS AND SOURCES OF FUNDS						
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**	**ALTERATION 07/24/2018**	**EXPENDED THRU 11/01/2018**	**REMAINING FUNDS**
Preplanning Costs	$0	$0	$0	$0	$0	$0
Site Survey and Soil Investigation	$0	$0	$0	$0	$0	$0
Site Preparation	$0	$0	$0	$0	$0	$0
Off Site Work	$0	$0	$0	$0	$0	$0
New Construction Contracts	$0	$0	$0	$0	$0	$0
Modernization Contracts	$0	$0	$0	$0	$0	$0
Contingencies	$0	$0	$0	$0	$0	$0
Architectural/Engineering Fees	$0	$0	$0	$0	$0	$0
Consulting and Other Fees	$0	$0	$0	$0	$0	$0
Movable or Other Equipment (not in construction contracts)	$0	$0	$0	$0	$0	$0
Bond Issuance Expense (project related)	$0	$0	$0	$0	$0	$0
Net Interest Expense During Construction (project related)	$0	$0	$0	$0	$0	$0
Fair Market Value of Leased Space	$434,719	$394,595	$829,314	$887,360	$65,000	$822,360
Fair Market Value of Leased Equipment	$245,250	$104,750	$350,000	$350,000	$0	$350,000
Other Costs To Be Capitalized	$9,173	$8,327	$17,500	$17,500	$10,000	$7,500
Acquisition of Building or Other Property (excluding land)	$0	$0	$0	$0	$0	$0
TOTAL USES OF FUNDS	**$689,142**	**$507,672**	**$1,196,814**	**$1,254,860**	**$75,000**	**$1,187,360**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**	**ALTERATION 07/24/2018**	**EXPENDED THRU 11/01/2018**	**REMAINING FUNDS**
Cash and Securities	$9,173	$8,327	$17,500	$17,500	$10,000	$7,500
Pledges	$0	$0	$0	$0	$0	$0
Gifts and Bequests	$0	$0	$0	$0	$0	$0
Bond Issues (project related)	$0	$0	$0	$0	$0	$0
Mortgages	$0	$0	$0	$0	$0	$0
Leases (fair market value) Space & Equipment	$679,969	$499,345	$1,179,314	$1,237,360	$65,000	$1,179,860
Governmental Appropriations	$0	$0	$0	$0	$0	$0
Grants	$0	$0	$0	$0	$0	$0
Other Funds and Sources	$0	$0	$0	$0	$0	$0
TOTAL SOURCES OF FUNDS	**$689,142**	**$507,672**	**$1,196,814**	**$1,254,860**	**$75,000**	**$1,187,360**

ATTACHMENT B

Attestation of Authorized Representative

(see attached)

Heart Care Centers
of Illinois

November 15, 2018

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

Re: Attestation of Authorized Representative

Dear Ms. Avery:

On behalf of certificate of need ("CON") permit holder Premier Cardiac Surgery Center, LLC ("CON Permit Holder"), I, acting as the Permit Holder's authorized representative, hereby attest that the project to establish a single-specialty ambulatory surgical treatment center in leased space, approved by the Illinois Health Facilities and Services Review Board ("State Board") on February 27, 2018, as amended on July 24, 2018, remains on budget and will not exceed the stated costs reported to the State Board. I further attest that sufficient financial resources remain available to complete the Project.

Respectfully Submitted,

Mark F. Berlin

Mark Berlin
Chief Operating Officer/Authorized Representative
Premier Cardiac Surgery Center, LLC

NOTARY:

Subscribed and sworn to me this 15th day of November, 2018

Agnes Ann Damon
Notary Public

Seal:

OFFICIAL SEAL
AGNES A DAMON
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:04/14/19