

July 27, 2018

Mike Constantino
Illinois Health Facilities and Services Review Board
525 West Jefferson
Springfield, IL 62761

RECEIVED
AUG 1 2018
HEALTH FACILITIES &
SERVICES REVIEW BOARD

RE: Additional Information – Retina Surgical Center (Project No. 18-002)

Dear Mr. Constantino,

Pursuant to Section 1130.650 of the Illinois Administrative Code regarding projects submitted to the Health Facilities and Services Review Board (HFSRB), I am writing on behalf of Retina Surgical Center, LLC (the Applicant) to provide additional information which includes:

- Reduction in equipment costs within state standards:
 - Updated Application and Attachment 7, pages 5 & 42
 - Updated Attachment 37, page 127
- Updated project completion date, in keeping with expected October approval date:
 - Updated Application and Attachment 12, pages 6 & 50
- Update to Service Accessibility
 - Updated Attachment 25, page 92
- Updated Bank Financing Commitment Lett
 - Updated Attachment 34, Exhibit 1, page 120

Sincerely,



Bryan Niehaus, JD, CHC
Senior Consultant
The Advis Group

Reduction in Equipment Costs Within State Standards:

Application and Attachment 7, pages 5 & 42

Attachment 37, page 127

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	n/a	n/a	
Site Survey and Soil Investigation	n/a	n/a	
Site Preparation	n/a	n/a	
Off Site Work	n/a	n/a	
New Construction Contracts (Base Building Upgrades)	n/a	\$267,500	\$267,500
Modernization Contracts	\$774,975	\$124,525	\$899,500
Contingencies (10%)	\$77,400	\$12,400	\$89,800
Architectural/Engineering Fees	\$24,000	\$9,000	\$33,000
Consulting and Other Fees (Equipment Planning) any other consultants?	\$7,000		\$7,000
Movable or Other Equipment (not in construction contracts)	\$450,000	\$72,166	\$552,166
Bond Issuance Expense (project related)	\$16,844	\$7,156	\$24,000
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	762,844.05	122,575.95	\$885,420
Other Costs To Be Capitalized	\$14,037	\$5,963	\$20,000
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$2,127,100.05	\$621,285.95	\$2,748,386
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$1,000,000.00		1,000,000.00
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)	\$762,884.05	\$122,575.95	\$885,460.00
Governmental Appropriations			
Grants			
Other Funds and Sources (<i>Debt Financing</i>)	\$364,216	\$498,710	\$862,926.00
TOTAL SOURCES OF FUNDS	\$ 2,127,100	\$498,710	\$2,748,386
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Section I, Identification, General Information, and Certification
Project Costs and Sources of Funds

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	n/a	n/a	
Site Survey and Soil Investigation	n/a	n/a	
Site Preparation	n/a	n/a	
Off Site Work	n/a	n/a	
New Construction Contracts (Base Building Upgrades)	n/a	\$267,500	\$267,500
Modernization Contracts	\$774,975	\$124,525	\$899,500
Contingencies (10%)	\$77,400	\$12,400	\$89,800
Architectural/Engineering Fees	\$24,000	\$9,000	\$33,000
Consulting and Other Fees (Equipment Planning) any other consultants?	\$7,000		\$7,000
Movable or Other Equipment (not in construction contracts)	\$450,000	\$72,166	\$522,166
Medical Equipment	\$397,445		\$397,445
Medical Gas Alarms, manifolds, vacuum pumps	\$25,000		\$25,000
IT / Sound / Security /Nurse Call / AV	\$27,555	\$23,166	\$50,721
Signage		\$13,000	\$13,000
Furniture / Appliances		\$36,000	\$36,000
Bond Issuance Expense (project related)	\$16,844	\$7,156	\$24,000
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	762,844.05	122,575.95	\$885,420
Other Costs To Be Capitalized	\$14,037	\$5,963	\$20,000
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$2,127,100.05	\$621,285.95	\$2,748,386
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$1,000,000	\$0	\$1,000,000
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)	762,884.05	122,575.95	885,460.00
Governmental Appropriations			
Debt Financing	\$364,216	\$498,710	\$862,926.00
TOTAL SOURCES OF FUNDS	\$2,127,100	\$498,710	2,748,386.00

Section X, Economic Feasibility Review Criteria
Criterion 1120.140(a), Reasonableness of Financing Arrangements

A. Reasonableness of Financing Arrangements:

See Attachment 37-Exhibit 1 for a signed, notarized statement from a representative of Retina Surgery Center that (1) borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period and (2) that the selected form of debt financing for the project will be at the lowest net cost available.

B. Conditions of Debt Financing

See Attachment 37-Exhibit 1 for a signed, notarized statement from a representative of RSC that (1) borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period and (2) that the selected form of debt financing for the project will be at the lowest net cost available.

C. Reasonableness of Project and Related Costs

Per the below tables, the applicant has met the project costs standards established by the state.

Table 1120 Appendix A			
	Application	State Standard	Above/Below State Standard
New Construction & Contingencies	N/A	\$410.06 / GSF	N/A
Modernization Construction	\$774,975	\$286.05 x 3,411 GSF = \$975,716.55	Below State Standard
OR Equipment	\$450,000	\$475,480.30	Below State Standard
Contingencies	\$89,800	10-15% x \$1,398,714.66 = \$139,871.47 - \$209,807.19	Below State Standard
A/E Fees	\$33,000	10.35% - 10.54%	Below State Standard
Site Survey + Site Prep	N/A	N/A	N/A
Pre-planning	N/A	N/A	N/A

Updated Project Completion Date, In Keeping With Expected October Approval Date:

Application and Attachment 12, pages 6 & 50

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Purchase Price: \$	_____	
Fair Market Value: \$	_____	
The project involves the establishment of a new facility or a new category of service		
	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.		
Estimated start-up costs and operating deficit cost is \$ _____.		

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

Indicate the stage of the project's architectural drawings:

- | | |
|---|--|
| <input type="checkbox"/> None or not applicable | <input type="checkbox"/> Preliminary |
| <input checked="" type="checkbox"/> Schematics | <input type="checkbox"/> Final Working |

Anticipated project completion date (refer to Part 1130.140): July 30, 2019

Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):

- Purchase orders, leases or contracts pertaining to the project have been executed.
- Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies
- Financial Commitment will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT 8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable:

- Cancer Registry
- APORS
- All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
- All reports regarding outstanding permits

- The first goal is to finalize the drawings and obtain the necessary permit approvals by October 30, 2018
- The second goal is to begin construction in November 2018 and complete the shell and core for the ASTC by June 2019.
- The third goal is to have the expansion of the facility approved for occupancy and operational by July 30, 2019.

Update to Service Accessibility:

Attachment 25, page 92

standards for its existing one (1) treatment room. As such, the proposed number of operating rooms is necessary in order to service the projected patient volumes.

- 2) Based upon the physician referrals and the historical caseload data, the applicants project the following patient treatments and average time per patient treatment, justifying the expected utilization of the two additional treatment rooms. This is in addition to the historical utilization data, as referenced above.

Specialty	Total Surgeries	Average Time per Patient	Total Surgery Hours
Ophthalmology (ASTC/Hospital)*	201	2.59	201
Ophthalmology (Office/ASTC)	3,000	.75	2,250

g) Service Accessibility

There are twenty (20) licensed ASTC’s within the GSA which offered ophthalmology services pursuant to 2016 data, yet very few have the capability to provide complex retina surgeries.

As indicated above, only two of the area ASTCs provide the specialized equipment that is required to perform the specialized retina surgeries anticipated to be performed by Dr. Michael. Dr. Michael has explored performing surgeries at both of these area ASTCs, but has encountered scheduling and staffing challenges that are complicated by the added travel times for patients and surgeons to both facilities.

Northwest Surgicare is about 23 minutes away. This surgery center utilizes a D.O.R.C. machine for retina surgeries, whereas Dr. Michael prefers and the area hospitals where Dr. Michael is credentialed utilize the Alcon machine to perform the surgeries. The familiarity with the machines is not important simply due to preference by the physician, but it allows the physician to improve patient outcomes and reduce complications. It is important that in these complex retina surgeries that the physician is comfortable with each scenario that may arise, with different machines, the opportunity for experiencing an unknown issues are multiplied, often to the detriment to the patient. Dr. Michael has also experienced limited availability for scheduling surgeries due to the staffing models and priorities of this facility. This has included surgery cancellations in the past. Overall, the machine differentiation and spotty scheduling history has led Dr. Michael to cease attempting to schedule his patients at Northwest Surgicare.

Only one other ASTC offers the equipment necessary to perform the surgeries the applicant specializes in, Belmont/Harlem Surgery Center. This facility is not located in a convenient location for a majority of the patient population which hinders the ability of the applicant to provide convenient care to his patients. Historically, Belmont/Harlem has only been able to offer surgical times slots to Dr. Michaels for two days during the week. However, many of the surgeries performed by Dr. Michael are very time sensitive and require quick action, such as retinal detachment. In addition, Belmont/Harlem is 12.1 miles and 35 minutes away from the proposed location. Many of the patients the applicant intends to serve are coming from further west and north of the proposed Niles location. As a result of the inability of Belmont/Harlem to meet the specific needs of Dr. Michael’s patient population and due to the location of the facility, the applicant is unable to provide his patients with the high quality care offered by him in a reasonable timeframe outside of a hospital location.

By providing his services at the hospital rather than an ASTC, the patient of Dr. Michael have a higher cost of care and at a less convenient setting. As noted in Attachment-12 above, ASTC services reduce the patient costs by upwards of 900%.

h) Unnecessary Duplication/Maldistribution – Review Criterion

1) The proposed project will not result in unnecessary duplication:

A) A list of the total population for GSA is attached as Exhibit 4.

B) A list of all of the existing health care facilities within the GSA that provide the ASTC services that are proposed by this project are attached as Exhibit 5.

Please note: that although there are underperforming hospitals and ASTC’s identified in the area, the proposed ASTC will not impact the overall performance of these facilities. First, the complex surgeries performed by the applicant in the past 12-months were all performed at hospital locations. Between the seven hospitals utilized by the three physicians for the complex surgical services, there will not be a significant detriment to the number of hours performed at each location. Furthermore, the office-base procedures anticipated to be referred to the proposed ASTC will not account for a detriment to any location. Lastly, the services that the applicant is proposed to perform, complex retina surgery, is largely unavailable in the service area, and those locations where it is available is only via unfamiliar machinery, which may affect total patient care. The applicant is proposing to improve access to a necessary surgical service which is largely unavailable in the area, and is not currently available to any of the physician’s patients in a timely manner.

2) Maldistribution does not exist within the GSA:

A) See the table below demonstrating compliance:

	Population	Rooms	Rooms to Population
State	12,830,632	2,368*	1:5,418
GSA	3,901,483	367	1:10,630

*Using 2015 data for hospitals due to error in 2016 data.

B) As identified in the chart above, there is only one facility that is currently operating above state standards. Despite this, we note that a Maldistribution of services will not occur for several reasons. First, of the 201 complex surgeries referred by the applicants in the past 12-months, all of which were previously performed at hospital locations and accounted for 526.7 hours. Secondly, the office based procedures anticipated to be referred to the proposed ASTC have historically not been performed at ASTC’s, as such it will not affect Maldistribution. As a result, the applicant has identified that they intend to refer enough patients that will allow the proposed facility to operate above the state standards within two years.

C) As evidenced by the physician referral letters in Appendix-1, the applicants anticipate referring 201 patients which shall account for 526.7 hours of surgery. The applicant shall also refer 3,000 patients who previously obtained office-based procedures which shall account for 2,250 hours, above the state utilization standards specified in 77 Ill. Adm. Code 1100.

i) Staffing

- 1) Retina Surgery Center will operate with sufficient staffing levels as required by applicable licensure. RSC will offer the staffing levels as necessary to provide patients with safe and effective care.
- 2) The services shall be performed by a physician who is board certified or board eligible by the appropriate professional standards organization or entity that credentials or certifies the health care worker for competency in that category of service.

j) Charge Commitment

- 1) A statement of all charges is attached as Exhibit 6.
- 2) Please see Exhibit 6, attached herein, which includes a commitment that the charges will not be increased for the first two years of operation.

k) Assurances

- 1) See Exhibit 7 for a signed statement of Assurances.
- 2) See Exhibit 7 for a signed statement of Assurances.

Updated Bank Financing Commitment Letter:

Attachment 34, Exhibit 1, page 120

July 12, 2018

Retina Surgery Center, LLC
8780 W. Golf Road
Niles, Illinois 60714

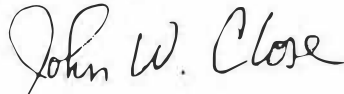
Attention: Dr. John Michael

Dear Dr. Michael:

It is my understanding that Retina Surgery Center, LLC plans to establish an ambulatory surgical treatment center ("ASTC") located at 8780 W. Golf Road, Niles, Illinois 60714. I further understand that Retina Surgery Center, LLC will require loans(s) for certain capital expenditures and equipment purchases for an amount not to exceed \$2,200,000. Retina Surgery Center, LLC and Dr. John Michael have been a good and valuable customer of First Bank & Trust for several years. **Should the Illinois Health Facilities and Services Review Board approve the proposed project, and based upon the positive business experiences from working with Retina Surgery Center, LLC and Dr. John Michael, First Bank & Trust is prepared to extend Retina Surgery Center, LLC up to \$2,200,000 in credit exposure to finance the ASTC project.**

I trust that this letter is sufficient for your needs. Should you, or the Illinois Health Facilities and Services Review Board, have any questions or comments, please do not hesitate to contact me directly at 847-733-7400.

Sincerely,



John W. Close
Vice President
First Bank & Trust