

Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

August 27, 2018

RECEIVED

AUG 28 2018

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Mr. Michael Constantino
Supervisor, Project Review
Illinois Health Facilities and
Services Review Board
525 West Jefferson
Springfield, IL 62761

RE: Project 18-024
Advocate NorthShore Pediatric Partners
Medical Clinics Building

Dear Mike:

Please accept the following supplemental information relating to the above-referenced project.

- Advocate Health and Hospitals Corporation (“Advocate”) holds an 81% interest and NorthShore University HealthSystem (“NorthShore”) holds a 19% interest in the operating entity.
- A site plan for Edens Plaza, which includes the proposed project’s site is enclosed, as is a conceptual space plan for the medical clinics building.
- An “Adverse Action” letter from Advocate is enclosed.
- An executable lease is currently being drafted and is anticipated to be completed well before the dissemination of the State Board Staff Report. Upon completion it will be forwarded to the HFSRB staff.
- The fair market value of the space to be leased is the sum of the lease payments during the initial term of the lease.
- Current plans anticipate that between 28 and 32 exam rooms will be provided in the physicians’ offices.
- Attached please find confirmation of the accreditation of Advocate’s licensed facilities.
- Advocate and NorthShore recognized the lack of a centralized location in the communities surrounding Wilmette for residents to access primary care pediatricians and pediatric subspecialists. This project is designed to address that issue.

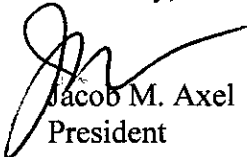
Advocate operates Advocate Children’s Hospital approximately six miles to the southwest of the Wilmette site, providing inpatient and outpatient pediatric services. NorthShore provides inpatient and outpatient pediatric services on its Highland Park Hospital (approximately nine miles to the north) and Evanston Hospital (approximately six miles to the southeast) campuses. As a

result, the delivery of pediatric services is fragmented, with parents often needing to take children to one site to see a primary care pediatrician, and then to another site to see a pediatric subspecialist. The proposed project will allow parents of pediatric patients to access a variety of pediatric services at a single site that, because of its location on the Edens Expressway, is easily accessible from many communities.

- This project is being developed as a joint venture for two primary reasons. First, both NorthShore and Advocate recognized the value to the community of a centralized site for pediatricians' offices. The joint venture approach eliminates the duplication that would result from the two systems addressing the issue, individually. Second, together the system could amass a larger number of pediatricians/broader scope of services than could reasonably be done individually.
- The physical size of the building, approximately 35,000 square feet, is appropriately sized for the number of physicians to be officed in the building. Based on Advocate and NorthShore's experience in the operating of medical clinics buildings, it was determined that a significantly smaller building would not accommodate the number of pediatricians planned to be officed in the building; and similarly a significantly larger building would result in unnecessary lease costs for space not needed/used.
- A revised Attachment 31, addressing the anticipated utilization of the support services to be provided, as well as the Immediate Care Center.
- The infusion therapy area will be used for the provision of a number of services, including antibiotic therapy, enzyme replacement therapy, hydration therapy, and nutrition therapy.
- The laboratory will provide blood drawing and specimen collection. Samples will be sent to a proprietary laboratory service for analysis.

Should you require any additional information, please do not hesitate to call me.

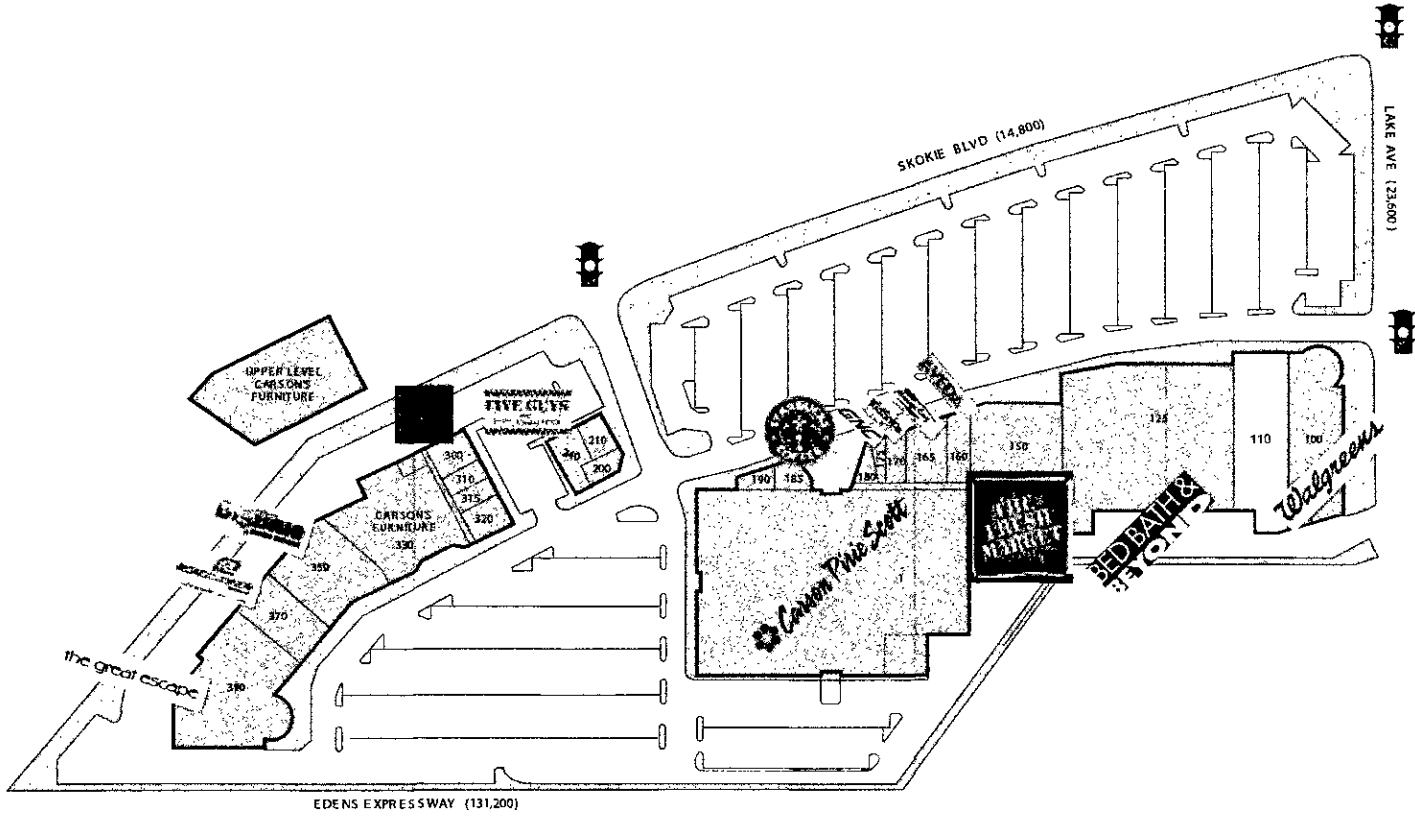
Sincerely,



Jacob M. Axel
President

enclosures

EDENS PLAZA - WILMETTE, ILLINOIS



| TENANT LIST | | | |
|-------------|--------------------------------|-------------|---------|
| PLAN # | TENANT | DIMENSIONS | SQ. FT. |
| 300 | GREAT ESCAPE EXPO / CHF | 108 X 101 | 10,750 |
| 370 | ROAD RUNNER SPORTS | 89 X 100 | 8,900 |
| 350 | SIX BLUE OWN SCHOOL | 33 X 101 | 10,261 |
| 330 | CARSON'S FURNITURE | 80 X 130 | 34,425 |
| 300 | CORNER BAKERY | 63 X 69 | 3,702 |
| 320 | COMPLETE BROKENSTOCK | 27 X 70 | 1,831 |
| 315 | SCOTTTRAE | 23 X 41 | 1,823 |
| 310 | KRISER'S FEEDING PETS FOR LIFE | 28 X 68 | 2,016 |
| 240 | FIVE GUYS BURGERS & FRIES | 16 X 28 RFR | 2,085 |
| 210 | PANDA EXPRESS | 37 X 44 | 1,600 |
| 200 | SEAL BANK | 58 X 28 RFR | 1,302 |
| 180 | MW TUSZCO | 43 X 29 | 979 |
| 165 | STARBUCKS COFFEE | 40 X 40 | 1,540 |
| 180 | H. MARION FRAMING STUDIO | 83 X 56 RFR | 925 |
| 175 | GENERAL NUTRITION CNT | 20 X 67 | 1,108 |
| 170 | KID SHOPS | 26 X 70 | 1,708 |
| 165 | MASSAGE ENVY | | 4,595 |
| 180 | GORDON SALON & SPAS | 13 X 140 | 1,840 |
| 150 | THE FRESH MARKET | 102 X 134 | 19,312 |
| 125 | RED BATH & BEYOND | 202 X 192 | 40,000 |
| 110 | AVAILABLE | 87 X 206 | 14,945 |
| 100 | WALGREENS | 70 X 225 | 15,015 |
| 1 | CARSON PRIME SCOTT | 305 X 235 | 86,578 |

TOTAL GROSS LEASEABLE SQUARE FEET 334,195
 TOTAL PARKING SPACES 1,319
 APPROXIMATE SITE ACREAGE 20

Disclaimer: All square footage and dimensions are approximate and should not be covered by a basis for determining the actual rentable area of each space.

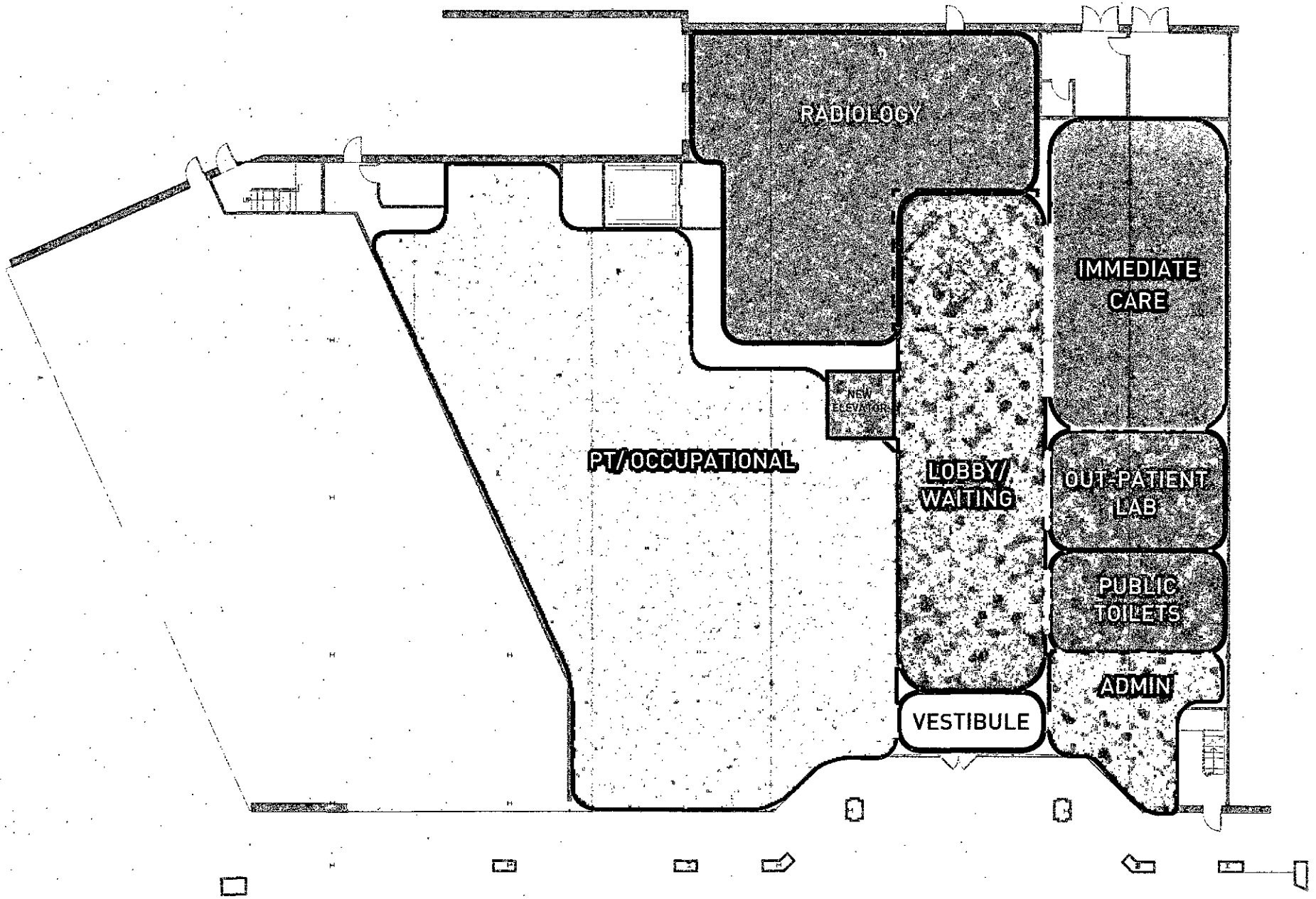
| AREA DEMOGRAPHICS | | | |
|---------------------------|---------------|---------------|---------------|
| MARKET SPECIFIC CRITERIA | 1-MILE RADIUS | 3-MILE RADIUS | 5-MILE RADIUS |
| CURRENT YEAR POPULATION | 10,446 | 104,928 | 264,478 |
| CURRENT YEAR HOUSEHOLDS | 3,811 | 38,673 | 134,544 |
| BUSINESS POPULATION | 4,825 | 60,011 | 194,978 |
| MEDIAN AGE | 43.7 | 42.2 | 40.6 |
| EMPLOYMENT | | | |
| WHITE COLLAR | 88.1% | 86.2% | 79.9% |
| BLUE COLLAR | 11.9% | 13.8% | 20.1% |
| AVERAGE HH INCOME | \$181,811 | \$174,057 | \$155,969 |
| RACE & ETHNICITY | | | |
| WHITE | 80.5% | 83.0% | 79.9% |
| BLACK OR AFRICAN AMERICAN | 3.3% | 4.1% | 7.4% |
| ASIAN PNC. ISL. | 13.6% | 10.0% | 12.0% |
| HISPANIC OR LATINO | 7.3% | 6.1% | 9.4% |

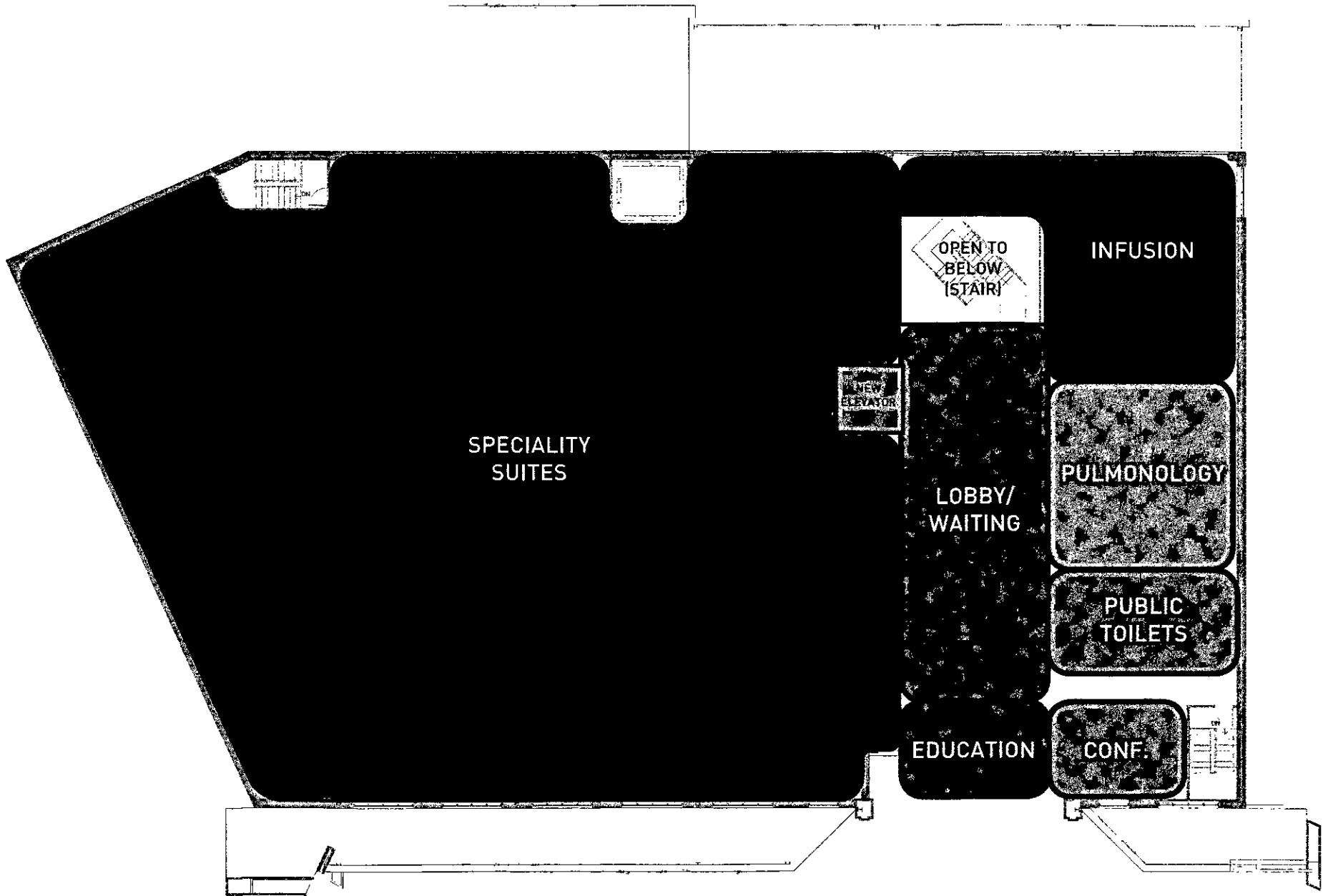
Data Source: SitesUSA 2011

Edens Plaza
 3232 Lake Avenue
 Wilmette, IL 60091

- LEASED
- LEASE OUT / LETTER OF INTENT
- VACANT
- UPCOMING SPACE AVAILABLE

11 EAST PARTNERS LLC
 11 E Madison St | Suite L-100 | Chicago IL 60602 | 312.675.5500







Advocate Children's Hospital

4440 West 95th Street || Oak Lawn, IL 60453 || T 708.684.8000
1775 Dempster Street || Park Ridge, IL 60068 || T 847.723.2210

advocatechildrenshospital.com

August 23, 2018

Ms. Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson
Springfield, IL 62761

Re: #18-024 Advocate Northshore Pediatric Partners Medical Clinics Building

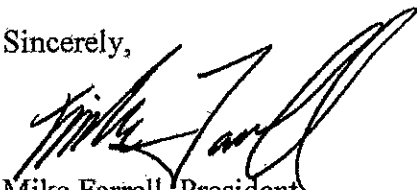
Dear Ms. Avery

This letter is to assure the Illinois Health Facilities and Services Review Board that

1. There have been no adverse actions against any facility owned and/or operated by Advocate Health Care Network and Advocate Health and Hospitals Corporation as demonstrated by compliance with the CMS Conditions of Participation with Medicare and Medicaid, during the three years prior to the filing of this application.
2. Advocate Health and Hospitals Corporation and Advocate Health Care Network hereby authorize the Health Facilities and Services Review Board and the Department of Public Health to access information in order to verify any documentation or information submitted in response to the requirements of this subsection, or to obtain any documentation or information which the State Board or Department of Public Health find pertinent to this subsection.

If there is need for further assistance, please call me at 855-312-5437 or Sonja Reece at 309-268-5482.

Sincerely,



Mike Farrell, President
Advocate Children's Hospital

| Facility | Location | License No. | DNV Accreditation No. |
|----------------------------------|--|-------------|------------------------|
| Advocate South Suburban Hospital | 17800 S. Kedzie Ave Hazel Crest, IL | 0004697 | 195597-2016-AQ-USA-RvA |

Additional hospitals owned and operated as a part of Advocate Health Care Network.

| Facility | Location | License No. | DNV Accreditation No. |
|--|--|-------------|---------------------------|
| Advocate BroMenn Medical Center | 1304 Franklin Ave. Normal, IL | 0005645 | 195600-2016-AQ-USA-RvA |
| Advocate Christ Medical Center | 4440 W. 95 th St. Oak Lawn, IL | 0000315 | 197946-2016-AHC-USA-NIAHO |
| Advocate Condell Medical Center | 801 S. Milwaukee Ave. Libertyville, IL | 0005579 | 211487-2016-AHC-USA-NIAHO |
| Advocate Eureka Hospital | 101 S. Major Eureka, IL | 0005652 | 195598-2016-AQ-USA-RvA |
| Advocate Good Samaritan Hospital | 3815 Highland Ave. Downers Grove, IL | 0003384 | 176404-2018-AHC-USA-NIAHO |
| Advocate Good Shepherd Hospital | 450 W. Highway, #22 Barrington, IL | 0003475 | 261250-2018-AHC-USA-NIAHO |
| Advocate Illinois Masonic Medical Center | 836 W. Wellington Chicago, IL | 0005165 | 192082-2015-AHC-USA-NIAHO |
| Advocate Lutheran General Hospital | 1775 Dempster Park Ridge, IL | 004796 | 178979-2018-AHC-USA-NIAHO |
| Advocate South Suburban Hospital | 17800 S. Kedzie Ave Hazel Crest, IL | 0004697 | 195597-2016-AQ-USA-RvA |
| Advocate Sherman Hospital | 1425 N. Randall Rd Elgin, IL | 0005884 | 246588-2017-AHC-USA-NIAHO |
| Advocate Trinity Hospital | 2320 E. 93 rd St. Chicago, IL | 0004176 | 193041-2015-AHC-US-NIAHO |

Additionally, AHHC has an ownership interest of fifty percent (50%) or more in the following licensed healthcare facilities:

| Facility | Location | License No. | Joint Commission Accreditation No./ Accreditation Association for Ambulatory Health Care, Inc. |
|----------------------------------|---------------------------------------|-------------|--|
| BroMenn Comfort & Care Suites | 2502-B East Empire Bloomington, IL | 4000025 | AAHC |
| Dreyer Ambulatory Surgery Center | 1221 N. Highland Ave Aurora, IL | 7001779 | AAHC |
| RML Specialty Hospital Chicago | 3435 W. Van Buren St. Chicago, IL | 0005678 | JCAHO |

| | | | |
|------------------------------------|--|---------|-------|
| RML Specialty Hospital Hinsdale | 5601 S. County Line Rd Hinsdale, IL | 0004804 | JCAHO |
| Sherman West Court | 1950 Larkin Ave Elgin, IL | NA | * |

*Licensed under the Nursing Home Act.

HF114591

**Illinois Department of
PUBLIC HEALTH**

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The decision file of approval of this license is on file in the Illinois Department of Public Health. This license is subject to the provisions of the Illinois Health Care Professions and Regulations Act and is hereby authorized to engage in the activity as indicated below.

Nirav D. Shah, M.D., J.D.
Director

| EXPIRES | CATEGORY | RENEWAL |
|------------|----------|---------|
| 12/31/2018 | | 0004697 |

General Hospital

Effective: 01/01/2018

Advocate South Suburban Hospital
17800 S. Kedzie Avenue
Hazel Crest, IL 60429

ILLINOIS DEPARTMENT OF PUBLIC HEALTH, DIVISION OF HEALTH CARE PROFESSIONS AND REGULATIONS, 601 S. MICHIGAN AVENUE, CHICAGO, IL 60605

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 12/31/2018

Lic Number 0004697

Date Printed 11/21/2017

Advocate South Suburban Hospital
17800 S. Kedzie Avenue
Hazel Crest, IL 60429

FEE RECEIPT NO.

DNV-GL

CERTIFICATE OF ACCREDITATION

Certificate No.:
190163-2015-AHC-USA-NIAHO

Initial date:
12/13/2015

Valid until:
12/13/2018

This is to certify that:

Advocate South Suburban Hospital

17800 S. Kedzie Avenue, Hazel Crest, IL 60429

has been found to comply with the requirements of the:
NIAHO® Hospital Accreditation Program

Pursuant to the authority granted to DNV GL Healthcare USA, Inc. by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, this organization is deemed in compliance with the Medicare Conditions of Participation for Hospitals (42 C.F.R. §482).

This certificate is valid for a period of three (3) years from the Effective Date of Accreditation.

For the Accreditation Body:
DNV GL - Healthcare
Katy, TX


Patrick Norine
Chief Executive Officer



Lack of certified fulfillment of the conditions set out in the Certification/Accreditation Agreement may render this Certificate invalid.

DNV GL - Healthcare, 400 Taylor Center Drive, Suite 500, Merrillville, IN 46519. Tel: 312-947-4300

www.dnvgl.com

CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE

The proposed medical clinics building (“MCB”) will include seven clinical services, none of which are HFSRB-designated “categories of service”. Those clinical services are identified in the table below.

| Service | # Existing Key Rooms | # Proposed Key Rooms |
|---------------------|---------------------------------|---------------------------------|
| Gen'l Radiology | 0 | 1 |
| MRI | 0 | 1 |
| Ultrasound | 0 | 1 |
| Immediate Care | 0 | 6 |
| Infusion Therapy | 0 | 4 |
| PT/OT/Speech Ther. | N/A | N/A |
| Specimen Collection | N/A | N/A |

The primary purpose of the project, as discussed in ATTACHMENT 12, is to serve residents of the communities surrounding the Wilmette, Illinois site.

Utilization projections for the services identified above have been developed based on the applicant’s experience with established MCBs, an understanding of the number and specialty mix of physicians to have offices in the MCB, as well as an understanding of the service area/other providers of specific services. Projections for the imaging modalities, infusion therapy, specimen collection/lab, and PT/OT/Speech Therapy are based on the volumes of those services provided to pediatric patients from key ZIP code areas (60016, 60018, 60025, 60035, 60056, 60062, 60068, 60077, 60091, 60201, 60610, 60634, 60646, 60656, 60660, and 60714)

by/through Advocate Children’s Hospital and NorthShore, factored by estimates of the percentage of historical patients that will receive those services at the MCB, as well as the percentage of patients (10%) that will receive those services at the MCB who have traditionally not been patients of the applicants. The utilization projection for the immediate care center is based on the experience of NorthShore’s Lincolnshire MCB, which houses a large specialty (orthopedics) practice and an immediate care center, which averages 25-30 patients a day.

Consistent with past HFSRB practices, and based on the types of clinical services to be provided, physician referral letters, such as those required in support of a category of service are not provided.

Below are identified the projected utilization levels for each of the clinical services to be provided:

| | Historical Volume* | Adjustment 1 | Adjustment 2 | Year 1 Volume | Year 2 Volume |
|------------------------|-----------------------|--------------|--------------|------------------|------------------|
| General Radiology | 8,250 | 70% | 10% | 4,800 | 6,400 |
| MRI | 3,062 | 70% | 10% | 1,800 | 2,400 |
| Ultrasound | 3,465 | 70% | 10% | 2,000 | 2,700 |
| Immediate Care | N/A | N/A | N/A | 7,500 | 10,000 |
| Infusion Therapy (hrs) | 2,640 | 75% | 10% | 1,650 | 2,200 |
| Specimen Collection | 29,700 | 75% | 10% | 18,500 | 24,750 |
| PT/OT/Speech Ther. | 6,600 | 75% | 10% | 4,100 | 5,500 |

*from key ZIP Codes
 Adj. 1: Key ZIP Code volume to be provided in MCB--varies
 Adj. 2: Patients from out of Key ZIP Codes--10%
 Year 1 volume = 75% of Year 2 volume

The HFSRB maintains utilization standards for only the first three imaging modalities. However, because only one unit of each modality is to be provided, and consistent with HFSRB practices, utilization standards do not apply to this project. As a result, the proposed project is not held to any utilization standards.

The primary hospital providers of pediatric services in the area are Advocate Children's Hospital/Advocate Lutheran General Hospital, and Evanston Hospital and Highland Park Hospital, both of which are owned by NorthShore University HealthSystem. As a result, it is not anticipated that the proposed project will have any significant impact on any hospital other than those of the applicants.