



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-02	BOARD MEETING: April 30, 2019	PROJECT NO: 18-043	PROJECT COST:
FACILITY NAME: Ravine Way Surgery Center		CITY: Glenview	Original: \$0
TYPE OF PROJECT: Non-Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicant (Ravine Way Surgery Center, LLC) proposes to add Pain Management and Podiatric surgery services to its current single-specialty ambulatory surgical treatment center (ASTC) located in Glenview, Illinois. There are no reported project costs. The expected completion date is April 15, 2019.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicant (Ravine Way Surgery Center, LLC) proposes to add Pain Management and Podiatric surgery services to its existing single-specialty ambulatory surgical treatment center located in Glenview, Illinois. There are no costs associated with the proposed project. The expected completion date is April 15, 2019.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project proposes a substantial change in scope as defined at 20 ILCS 3960/5.
- One of the objectives of the Health Facilities Planning Act is *“to assess the financial burden to patients caused by unnecessary health care construction and modification. Evidence-based assessments, projections and decisions will be applied regarding **capacity, quality, value and equity** in the delivery of health care services in Illinois. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.”* [20 ILCS 3960/2]

PURPOSE OF THE PROJECT:

- The Applicant stated the following: *“The purpose of the project is two-fold: first, to improve access to a lower cost surgical alternative for pain management and podiatric specialties; second, to improve the utilization of an existing healthcare resources i.e., Ravine Way Surgery Center. The improved access and utilization of existing healthcare services provides surety that existing healthcare services can be maintained, therefore improving the well-being of the population that resides in the market area.”*

PUBLIC HEARING/COMMENT:

- A public hearing was offered but was not requested. The project file contains seven letters of support, and no letters of opposition. Support letters were received from the following:
 - Laura Fine, State Representative, 17th District
 - Tensley Garris, President, Northbrook Chamber of Commerce & Industry
 - Marietta Abraham, M.D., Premise-Allstate Goodlife Wellness Center
 - Jeff Hay, Vice President Clinical Operations, Athletico Physical Therapy
 - Julie Yusim, Executive Director, Wilmete/Kenilworth Chamber of Commerce
 - Kristen Murto, Chief Administrative & Strategy Officer, NorthShore University HealthSystem
 - Brad Bartels, Administrator, Glenview Terrace

SUMMARY:

- The purpose of the project as stated above is to improve patient access to lower cost surgical alternatives for Podiatric and Pain Management surgical procedures, and improve utilization of the existing ASTC (Ravine Way Surgery Center). If approved, the ASTC will be reclassified a multi-specialty.
- The Applicant has addressed a total 15 criteria and have successfully addressed them all.

STATE BOARD STAFF REPORT
Project #18-043
Ravine Way Surgery Center

APPLICATION/SUMMARY CHRONOLOGY	
Applicant(s)	Ravine Way Surgery Center, LLC
Facility Name	Ravine Way Surgery Center
Location	2350 Ravine Way, Suite 500, Glenview, Illinois
Permit Holder	Ravine Way Surgery Center, LLC
Operating Entity/Licensee	Ravine Way Surgery Center, LLC
Owner of Site	CMK 2350 Ravine Way, LLC
Gross Square Feet	10,400 GSF
Application Received	November 2, 2018
Application Deemed Complete	November 13, 2018
Financial Commitment Date	N/A*
Anticipated Completion Date	April 15, 2019
Review Period Ends	March 9, 2019
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	Yes

I. Project Description

The Applicant (Ravine Way Surgery Center, LLC) proposes to add Pain Management and Podiatric surgery services to its current single-specialty ambulatory surgical treatment center located at 2350 Ravine Way, Suite 500, Glenview, Illinois. The existing ASTC includes three operating rooms (ORs), one procedure room, six Stage 1 recovery stations and eight Stage 2 recovery stations. There are no project costs associated with this project. The expected completion date is April 15, 2019.

II. Summary of Findings

- A. State Board Staff finds the proposed project is in conformance with all relevant provisions of Part 1110 (77 ILAC 1110).
- B. State Board Staff finds that all relevant provisions of Part 1120 (77 ILAC 1120) are not applicable to this project.

III. General Information

The Applicant proposes to add Pain Management and Podiatric surgery services to its current single-specialty ambulatory surgical treatment center located at 2350 Ravine Way, Suite 500, Glenview, Illinois. The existing ASTC includes three operating rooms (ORs), one procedure room, six Stage 1 recovery stations and eight Stage 2 recovery stations. There are no project-related costs, and the expected completion date is April 15, 2019.

Ravine Way Surgery Center, LLC was organized as a Limited Liability Company (LLC) in May of 2014, and is classified as a joint venture between Ravine Way Partners, LLC (68.5% ownership), and NorthShore University HealthSystem (28.5% ownership). The

facility is located in the HSA VII Health Service Area which includes suburban Cook and DuPage Counties. Should the State Board approve this project, it will be reclassified as a multi-specialty ASTC, offering the following surgical services: Pain Management, Orthopedic, and Podiatric Surgical services.

The proposed project is a non-substantive project subject to a Part 1110 and Part 1120 review. Non-substantive projects are all projects not considered substantive projects. Substantive projects include no more than the following:

1. Projects to construct a new or replacement facility located on a new site; or a replacement facility located on the same site as the original facility and the costs of the replacement facility exceed the capital expenditure minimum.
2. Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.
3. Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a relocation of beds from one facility to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board in the Inventory, whichever is less, over a 2-year period. [20 ILCS 3960/12]

IV. Project Uses and Sources of Funds

The Applicant is adding two surgical specialties, and reports no project-related costs for this project.

V. Background of the Applicant

A) Criterion 1110.110(a) – Background of the Applicant

An Applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character to adequately provide a proper standard of health care service for the community. To demonstrate compliance with this criterion the Applicant must provide

- A) 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;
- B) A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility;
- C) Authorization permitting HFSRB and IDPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide the authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
- D) An attestation that the Applicant have had no *adverse action*¹ taken against any facility they own or operate or a listing of adverse action taken against facilities the Applicant own.

1. The Applicant has attested that there has been no adverse action taken against Ravine Way Surgery Center, LLC during the three (3) years prior to filing the application. [Application for Permit page 132]
2. The Applicant has authorized the Illinois Health Facilities and Services Review Board and the Illinois Department of Public Health to have access to any documents necessary to verify information submitted in connection to the Applicant's certificate of need to add two specialties. The authorization includes, but is not limited to: official records of IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. [Application for Permit pages 133]
3. The site is owned by CMK 2350 Ravine Way, LLC and evidence of this can be found at pages 54-120 of the application for permit.
4. Compliance with Executive Order #2006-05 and the Illinois State Agency Historic Resources Preservation Act is not required for projects with no construction.
5. A Certificate of Good Standing from the State of Illinois has been provided at page 52 of the Application for Permit. License and Accreditation are provided at page 130 and 131 of the Application for Permit.

¹Adverse action is defined as a disciplinary action taken by IDPH, CMMS, or any other State or federal agency against a person or entity that owns or operates or owns and operates a licensed or Medicare or Medicaid certified healthcare facility in the State of Illinois. These actions include, but are not limited to, all Type "A" and Type "AA" violations." (77 IAC 1130.140)

VI. Purpose of Project, Safety Net Impact Statement and Alternatives

The following three (3) criteria are informational; no conclusion on the adequacy of the information submitted is being made.

A) Criterion 1110.110 (b) Purpose of the Project

To demonstrate compliance with this criterion the Applicant must document that the project will provide health services that improve the health care or well-being of the market area population to be served.

The Applicant states: *“The purpose of the project is two-fold: first, to improve access to a lower cost surgical alternative for pain management and podiatric specialties; second, to improve the utilization of an existing healthcare resources i.e., Ravine Way Surgery Center. The improved access and utilization of existing healthcare services provides surety that existing healthcare services can be maintained, therefore improving the well-being of the population that resides in the market area.”*

B) Criterion 1110.110 (c) - Safety Net Impact Statement

This project is a non-substantive project and a safety net impact statement is not required for non-substantive projects. Charity care information is required, and the Applicant supplied the required data for both the applicants and NorthShore University HealthSystems, part owner of the facility (see Table One).

TABLE ONE
Charity Care/Safety Net Information
Ravine Way Surgery Center/NorthShore University HealthSystem

Ravine Way Surgery Center			
Year	2015	2016	2017
Net Patient Revenue	\$10,889,570	\$9,888,089	N/A
Amount of Charity Care (charges)	\$46,939	\$81,058	\$44,727
Cost of Charity Care	\$7,416	\$14,832	\$7,416
Ratio (charity care to net patient revenue)	.006%	.014%	N/A
Charity Care # of Patients			
Inpatient	n/a	n/a	n/a
Outpatient		0	0
Total		0	0
Charity Care Cost in Dollars			
Inpatient	n/a	n/a	n/a
Outpatient	0	0	0
Total	0	0	0
Medicaid # of Patients			
Inpatient	n/a	n/a	n/a
Outpatient	3	6	3
Total	3	6	3
Medicaid Revenue			
Inpatient	n/a	n/a	n/a
Outpatient	\$46,939	\$81,058	\$44,727
Total	\$46,939	\$81,058	\$44,727
NorthShore University HealthSystem			
Year	2015	2016	2017
Net Patient Revenue	\$1,220,418,879	\$1,941,878,000	\$1,973,820,000
Amount of Charity Care (charges)	\$59,169,800	\$61,854,365	\$62,776,737
Cost of Charity Care	\$15,298,468	\$15,696,721	\$15,967,076
Ratio (charity care to net patient revenue)	1.2%	.80%	1.2%
Charity Care # of Patients			
Inpatient	2,551	2,053	1,855
Outpatient	16,196	16,216	14,923
Total	18,747	18,269	16,778
Charity Care Cost in Dollars			
Inpatient	\$3,757,653	\$3,987,512	\$4,077,168
Outpatient	\$11,540,815	\$11,709,209	\$11,889,908
Total	\$15,298,468	\$15,696,721	\$15,967,076
Medicaid # of Patients			
Inpatient	3,641	3,832	3,896
Outpatient	80,588	85,878	92,109
Total	84,229	89,710	96,005

Medicaid Revenue			
Inpatient	\$38,644,049	\$36,606,771	\$33,781,323
Outpatient	\$22,811,556	\$20,981,672	\$23,014,785
Total	\$61,455,605	\$57,588,443	\$56,796,108

C) Criterion 1110.110 (d) - Alternatives to the Project

To demonstrate compliance with this criterion the Applicant must document all alternatives to the proposed project that were considered.

The Applicant considered four alternatives in regards to this project.

Do Nothing/Maintain Status Quo

The alternative to do nothing had no associated capital costs, and was rejected due to its inability to address existing patient access issues for the physician partners of both the Applicant facility, and the Illinois Bone & Joint Institute (IBJI) at NorthShore University HealthSystem. The Illinois Bone & Joint Institute has partnered with Ravine Way Surgery Center to provide comprehensive outpatient surgical care, and the addition of the proposed surgical specialties is imperative to the success of this relationship.

Project of Greater Scope

The Applicant explored this alternative, which entailed the establishment of a newly constructed, free-standing ASTC, but rejected this based on the benefits associated with utilizing the existing facility and staff, which already provides a quality of care fitting of the applicants. Additionally, a project of greater scope would provide no additional economies of scale and result in a higher project cost. The applicant provided no project cost for this alternative.

Utilize Existing Hospital Surgical Suites

The Applicant explored this option and notes the utilization of existing OR facilities at NorthShore is not a feasible option, based on the increasing case volume for physicians associated with the IBJI, and NorthShore’s inability to accommodate future growth. Furthermore, changes in CMS reimbursement models are directing that the surgical procedures identified in this application be performed in an outpatient setting to reduce costs and maintain quality of service. The Applicant rejected this alternative, and provided no related costs for this alternative.

Project as Proposed

The Applicant’s goal is to provide optimum surgical services in an efficient, cost-effective environment. The option to add pain management and podiatric surgery services to the existing Ravine Way Surgery Center was decidedly the most effective option available. Not only would this option increase utilization at the existing facility, but also increase the scope of services provided by physicians aligned with Ravine Way, and the IBJI, while containing project costs. There are no project costs associated with this alternative.

VIII. Project Scope and Size, Utilization and Assurances

A) Criterion 1110.120 (a) - Size of Project

To demonstrate compliance with this criterion the Applicant must document that the proposed size of the project is in compliance with the State Board Standard in Part 1110 Appendix B.

The Applicant is proposing to add two surgical specialties to an existing ASTC containing three operating rooms, one procedure room, and fourteen recovery stations. No new construction will occur, and no new space will be added. The existing facility contains 10,400 GSF of space and meets the State standards for space. The Applicant has successfully addressed this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF PROJECT (77 ILAC 1110.120 (a))

B) Criterion 1110.120(b) – Projected Utilization

To demonstrate compliance with this criterion the Applicant must document that the facility will be at target occupancy as specified in Part 1100.

The State Board does not have a specific utilization standard to add a specialty to an existing ASTC. The utilization standard for an ASTC is 1,500 hours per operating/procedure room. The Applicant is not proposing to add operating/procedure rooms, and anticipate the addition of two surgical specialties (Podiatry and Pain Management) to increase utilization of the proposed facility. The Applicant notes having performed 2,325 orthopedic surgical procedures in 2017, and provided a physician referral letter from Dr. Gregory Portland M.D., Managing Physician, of the Illinois Bone and Joint Institute (IBJI), documenting the historical referral of 3,785 cases in FY 2017, and 3,315 cases in FY 2018. Included is the facility in which the referral was made, and zip code of patient origin. These referrals, combined with the anticipated transfer referrals from IBJI, and anticipated growth of the practice, results in utilization that meets the State Board standard for capacity. The Applicant has successfully addressed this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECTED UTILIZATION (77 ILAC 1110.120(b))

C) Criterion 1110.120(e) – Assurances

To demonstrate compliance with this criterion the Applicant must document that the proposed project will be that by the end of the second year of operation after project completion, the Applicant will meet or exceed the utilization standards specified in Appendix B.

As documented above the State Board does not have utilization standards for the addition of surgical specialties to an existing ASTC. No operating/procedure rooms are being added. The Applicant have successfully addressed this criterion.

STATE BOARD STANDARD IS IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.120(e))

VIII. Non-Hospital Based Ambulatory Surgical Treatment Center Services

A) Criterion 1110.235(a) - 77 Ill. Adm. Code 1100 (Formula Calculation)

As stated in 77 Ill. Adm. Code 1100, no formula need determination for the number of ASTCs and the number of surgical/treatment rooms in a geographic service area has been established. Need shall be established pursuant to the applicable review criteria of this Part.

B) Criterion 1110.235(c) (2) (B) (i) & (ii) - Service to Geographic Service Area Residents

To demonstrate compliance with this criterion the Applicant must document that the primary purpose of the project will be to provide necessary health care to the residents of the geographic service area (GSA) in which the proposed project will be physically located.

- i) The Applicant must provide a list of zip code areas (in total or in part) that comprise the GSA. The GSA is the area consisting of all zip code areas that are located within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the project's site.
- ii) The Applicant must provide patient origin information by zip code for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the GSA. Patient origin information shall be based upon the patient's legal residence (other than a health care facility) for the last 6 months immediately prior to admission.

The Geographic Service Area for the facility located in Glenview, Illinois is 10 miles in all directions per 77 ILAC 1100.510(d). According to the Applicant, there is an estimated 1,091,091 individuals within this 10-mile radius, and notes the 73% of patients served by Ravine Way Surgery Center will come from within this 10-mile GSA. [See Application for Permit pages 216-221]

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVICE TO GEOGRAPHIC SERVICE AREA RESIDENTS (77 ILAC 1110.235(c) (2) (B) (i) & (ii))

C) Criterion 1110.235(c)(3)(A) & (B) - Service Demand – Establishment of an ASTC Facility or Additional ASTC Service

To demonstrate compliance with this criterion the Applicant must document that the proposed project is necessary to accommodate the service demand experienced annually by the Applicant, over the latest 2-year period, as evidenced by historical and projected referrals. The Applicant shall document the information required by subsection (c) (3) and either subsection (c) (3) (B) or (C):

A) Historical Referrals

The Applicant shall provide physician referral letters that attest to the physician's total number of treatments for each ASTC service that has been referred to existing IDPH-licensed ASTCs or hospitals located in the GSA during the 12-month period prior to submission of the application. The documentation of physician referrals shall include the following information:

- i) patient origin by zip code of residence;
- ii) name and specialty of referring physician;
- iii) name and location of the recipient hospital or ASTC; and
- iv) number of referrals to other facilities for each proposed ASTC service for each of the latest 2 years.

The Applicant provided referral letters from twenty-two (22) physicians practicing at the Illinois Bone & Joint Institute (IBJI). These physicians referred the majority of their patient base to one of seven (7) facilities listed in Table One. These data, combined with the referral letter, provided patient origin by zip code of residence, name and specialty of referring physician, name and location of the health care facility the patient was referred, and the number of referrals for FY 2017/2018. The Applicant has successfully addressed this criterion.

Table One							
Referring Physicians and Referral Sources FY 2017							
Facility/ Physician	Ravine Way	Evanston	Glenbrook	Highland Park	Skokie	NSSS (Kenosha)	Other
Dr. Ptaszek	235	0	21	0	0	0	0
Dr. Gamez	0	0	38	0	0	0	0
Dr. Phillips	384	2	146	0	0	0	0
Dr. Beigler	23	0	36	0	0	0	0
Dr. Chehab	117	58	1	0	0	0	0
Dr. Portland*	291	7	51	0	0	0	1
Dr. Shapiro	56	12	7	0	20	10	0
Dr. Fox	3	0	0	0	0	0	0
Dr. Benson	267	140	3	0	0	0	3
Dr. Mikhael	24	35	0	0	0	0	0
Dr. O'Rourke	19	0	3	0	0	0	0
Dr. Hadad	50	0	21	0	0	0	0
Dr. Stamos	13	0	31	0	0	0	0
Dr. Skjong	107	8	10	0	0	0	0
Dr. Weatherford	48	1	100	0	0	0	2
Dr. Cohn	56	0	0	8	0	0	0
Dr. Waxman	190	0	0	82	0	0	0
Dr. Lettvin	42	0	0	26	0	0	0
Dr. Erulkar	1	0	0	96	0	0	0
Dr. Sherman	145	0	0	14	0	0	0
Dr. Palutsis	93	0	5	0	0	0	0
Dr. Demiel	1	2	0	0	0	0	0
Dr. Vanderby	0	0	0	0	0	0	150
TOTAL	2,165	265	473	226	20	10	156
*Managing Physician/Partner Illinois Bone & Joint Institute Referral Period: 3 rd /4 th Quarter 2016, and 1 st and 2 nd Quarter 2017							

Table One							
Referring Physicians and Referral Sources FY 2018							
Facility/ Physician	Ravine Way	Evanston	Glenbrook	Highland Park	Skokie	NSSS (Kenosha)	Other
Dr. Ptaszek	236	0	62	0	0	0	0
Dr. Gamez	0	0	36	0	0	0	0
Dr. Phillips	367	1	180	0	0	0	0
Dr. Beigler	28	0	48	0	0	0	0
Dr. Chehab	109	73	2	0	0	0	0
Dr. Portland*	297	12	68	0	1	3	3
Dr. Steginsky	0	0	0	0	0	0	0

Dr. Shapiro	85	23	0	0	35	3	0
Dr. Fox	31	1	0	0	0	0	0
Dr. Benson	283	202	2	0	1	0	0
Dr. Mikhael	14	67	0	0	2	0	0
Dr. O'Rourke	12	0	7	0	0	0	0
Dr. McMillan	10	0	2	0	0	0	0
Dr. Hadad	83	0	34	0	0	0	0
Dr. Stamos	3	0	39	0	0	0	0
Dr. Skjong	74	19	16	0	1	0	0
Dr. Weatherford	38	13	104	0	0	1	4
Dr. Cohn	50	0	0	21	0	0	0
Dr. Waxman	221	0	0	85	0	0	0
Dr. Lettvin	46	0	1	34	0	0	0
Dr. Erulkar	0	0	0	77	0	0	0
Dr. Sherman	207	0	0	14	0	0	0
Dr. Palutsis	197	0	20	0	0	0	0
Dr. Demiel	17	25	27	0	0	1	0
Dr. Robb	3	0	4	0	0	0	0
TOTAL	2,411	436	652	231	40	8	7
*Managing Physician/Partner Illinois Bone & Joint Institute Referral Period: 3 rd /4 th Quarter 2017, and 1 st and 2 nd Quarter 2018							

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVICE TO GEOGRAPHIC SERVICE AREA RESIDENTS (77 ILAC 1110.235(c) (3) (A) & (B))

D) Criterion 1110.235(c)(5)(A) & (B) - Treatment Room Need Assessment

A) To demonstrate compliance with this criterion the Applicant must document that the proposed number of surgical/treatment rooms for each ASTC service is necessary to service the projected patient volume. The number of rooms shall be justified based upon an annual minimum utilization of 1,500 hours of use per room, as established in 77 Ill. Adm. Code 1100.

B) For each ASTC service, the Applicant must provide the number of patient treatments/sessions, the average time (including setup and cleanup time) per patient treatment/session, and the methodology used to establish the average time per patient treatment/session (e.g., experienced historical caseload data, industry norms or special studies).

The Applicant currently has three operating rooms, one procedure room, six Stage One, and eight Stage Two recovery stations. No new operating or procedure rooms are being proposed.

The table below shows the historical utilization at the facility for the period 2014-2017. Based upon the historical utilization the Applicant can justify the three operating rooms.

TABLE TWO					
Ravine Way Surgery Center					
Historical Utilization ⁽¹⁾					
Operating Rooms					
Year	2014	2015	2016	2017	Average
Cases	2,015	2,294	2,122	2,325	2,189

Hours	3,043	3,463	3,219	2,646	3,092
Procedure Rooms					
Cases	0	0	0	0	0
Hours	0	0	0	0	0
1. Source ASTC Profile Information					

The Applicant supplied a listing of surgical cases performed at the Illinois Bone & Joint Institute (application, p. 222). The table shows that the 26 physicians listed performed a total of 3,785 procedures for the fiscal year 2017, and 3,315 procedures in fiscal year 2018. The Applicant expects the existing volume from Ravine Way (see Table Two), combined with the procedures performed by these physicians at other area facilities (see Table One), will increase the utilization at the facility to meet the target occupancy of 1,500 hours per operating/procedure room.

While the current and projected utilization does not justify the current number of operating/procedure rooms at the facility, the Applicant by the addition of the two specialties is improving service capability and efficient operation at the facility in accordance with 77 ILAC 1100.370. The Applicant has successfully address this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION TREATMENT ROOM NEED ASSESSMENT (77 ILAC 1110.235(c) (3) (A) & (B))

E) Criterion 1110.235(c)(6) - Service Accessibility

To demonstrate compliance with this criterion the proposed ASTC services being established or added are necessary to improve access for residents of the GSA. The Applicant shall document that at least one of the following conditions exists in the GSA:

- A) There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project;
- B) 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;
- C) 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;
- D) The proposed project is a cooperative venture sponsored by 2 or more persons, at least one of which operates an existing hospital. Documentation shall provide evidence that:
 - i) The existing hospital is currently providing outpatient services to the population of the subject GSA;
 - ii) 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;
 - iii) 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
 - iv) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

The Applicant states: *“The purpose of this project is to offer patients residing in Barrington and the surrounding area with the full continuum of musculoskeletal surgical care at one location and to increase utilization at Barrington Pain & Spine Institute (BPSI), which currently has capacity.”*

1. There are 19 ASTCs in the GSA (10-mile radius). Of the 19 ASTCs one is Ravine Way Surgery Center, the subject of this application for permit. [See Table at the end of this report]
2. There are 9 hospitals and 19 ASTCs (Ravine Way Surgery Center not included) within the GSA. 5 of the 9 (55.5%) hospitals are at target surgical capacity. Of the 19 ASTCs, 6 (31.6%), are at target surgical capacity. Board staff notes that of the 19 ASTCs identified, 4 are either under an open permit, or are in ramp-phase of operations.
3. The services proposed to be added (Orthopedics and Podiatry) are currently available at ASTCs in the GSA. However, the Applicant notes that all surgical services (Orthopedic, Pain Management, Podiatric), are not available at the same facility. The Applicant asserts this combination of surgical services will provide a full continuum of musculoskeletal care to better serve its patient base.
4. The proposed project is for the addition of surgical specialties at an existing ASTC and the existing ASTC is not a cooperative venture.

The purpose of this project is to offer patients from the Illinois Bone & Joint Institute (IBJI), and residents of the Glenview area with enhanced access to outpatient orthopedic surgical care at one location and to increase utilization at Ravine Way Surgery Center, which currently has capacity. The Applicant also notes the additional surgical services will reduce an excessive surgical operational capacity experienced at neighboring Glenbrook Hospital, Glenview. Although there are underutilized facilities in the service area, based upon the information reviewed by the State Board Staff and summarized above it appears the proposed addition of the surgical specialties is reasonable and meets the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 ILAC 1110.235(c) (6))

- F) Criterion 1110.235(c) (7) (A) through (C) - Unnecessary Duplication Mal-distribution**
- A) To demonstrate compliance with this criterion the Applicant must document that the project will not result in an unnecessary duplication. The Applicant shall provide the following information for the proposed GSA zip code areas identified in subsection (c) (2) (B) (i):**
- i) the total population of the GSA (based upon the most recent population numbers available for the State of Illinois); and
 - ii) the names and locations of all existing or approved health care facilities located within the GSA that provide the ASTC services that are proposed by the project.
- B) The Applicant must document that the project will not result in mal-distribution of services. Mal-distribution exists when the GSA has an excess supply of facilities and ASTC services characterized by such factors as, but not limited to:**
- i) a ratio of surgical/treatment rooms to population that exceeds one and one-half times the State average;
 - ii) historical utilization (for the latest 12-month period prior to submission of the application) for existing surgical/treatment rooms for the ASTC services proposed by

of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

B) Medical Director

It is recommended that the procedures to be performed for each ASTC service are under the direction of 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.

Ravine Way Surgery Center is currently staffed in accordance with IDPH and Joint Commission accreditation² staffing requirements. The Applicant anticipate all staff from the existing ASTC will continue to practice there when additional specialties are added. The Applicant does not anticipate issues with hiring additional nurses and Certified Surgical Technologists (CSTs) if needed. Application for Permit page 235-236.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION STAFFING (77 ILAC 1110.235(c) (8) (A) & (B))

H) Criterion 1110.235(c)(9)-Charge Commitment

In order to meet the objectives of the Act, which are *to improve the financial ability of the public to obtain necessary health services; and to establish an orderly and comprehensive health care delivery system that will guarantee the availability of quality health care to the general public; and cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process* [20 ILCS 3960/2], the Applicant must submit the following:

- A) a statement of all charges, except for any professional fee (physician charge); and
- B) a commitment that these charges will not increase, at a minimum, for the first 2 years of operation unless a permit is first obtained pursuant to 77 Ill. Adm. Code 1130.310(a).

A listing of procedures by primary CPT code for the proposed new specialties with the maximum charge has been provided as required, and includes a certified attestation that the charges for these procedures will not increase in the two years following project completion (Application for Permit pages 237-238). The Applicant have met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION CHARGE COMMITMENT (77 ILAC 1110.235(c) (9))

D) Criterion 1110.235(c)(10)(A) & (B) - Assurances

To document compliance with this criterion

- A) The Applicant must attest that a peer review program exists or will be implemented that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for the ASTC services, and if outcomes do not meet or exceed those standards, that a quality improvement plan will be initiated.
- B) The Applicant shall document that, in the second year of operation after the project completion date, the annual utilization of the surgical/treatment rooms will meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100. Documentation shall include, but not be limited to, historical utilization trends, population growth, expansion of professional staff or programs

² The **Joint Commission** is a United States-based nonprofit tax-exempt 501(c) organization that accredits more than 21,000 US health care organizations and programs. The international branch accredits medical services from around the world. A majority of US state governments recognize Joint Commission accreditation as a condition of licensure for the receipt of Medicaid and Medicare reimbursements.

(demonstrated by signed contracts with additional physicians) and the provision of new procedures that would increase utilization.

The Applicant notes Ravine Way Surgery Center will continue its existing peer review program that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for surgical services. If outcomes do not meet or exceed those standards, a quality improvement plan will be initiated.

The Applicant is not adding capacity but are adding surgical specialties at a current underutilized facility to improve service access for residents of the geographical service area. It appears that this proposed project meets the intent of Part 1100 Health Care Facilities Plan that states *“The standards presented herein are designed to promote development of needed facilities and services, avoid duplication of services and prevent unnecessary construction.”*

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.235(c) (10) (A) & (B))

IX. Financial Viability

A) Criterion 1120.120 – Availability of Funds

To demonstrate compliance with this criterion the Applicant must document that resources are available to fund the project.

B) Criterion 1120.130 - Financial Viability

To demonstrate compliance with this criterion the Applicant must document an “A” or better bond rating or provide 3 years of historical financial ratios as required by the State Board or qualify for the financial waiver.

The Applicant notes the addition of two surgical specialties will not result in any project costs, therefore The above mentioned criteria is inapplicable to this project.

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

X. Economic Feasibility

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

To demonstrate compliance with this criterion the Applicant must document an “A” or better bond rating or attest to the following

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

- A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
- B) 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.

B) Criterion 1120.140(b) – Conditions of Debt Financing

To demonstrate compliance with this criterion the Applicant must document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment is less costly than constructing a new facility or purchasing new equipment.

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

To demonstrate compliance with this criterion the Applicant must document that the estimated project costs are reasonable and shall document compliance

D) Criterion 1120.140(d) – Projected Direct Operating Costs

To document compliance with this criterion the Applicant must document the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct costs mean the fully allocated costs of salaries, benefits and supplies for the service.

E) Criterion 1120.140(e) – Total Effect of the Project on Capital Costs

To document compliance with this criterion the Applicant must document the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The Applicant reports no project costs or financing for the proposed project. The above mentioned criteria is inapplicable to this project.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140(a) TERMS OF DEBT FINANCING (77 IAC 1120.140(b), REASONABLENESS OF PROJECT COSTS (77 IAC 1120.140(c), PROJECTED DIRECT OPERATING COSTS (77 ILAC 1120.140(d), and PROJECTED TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 ILAC 1120.140(e)).

TABLE FOUR
Existing Facilities within the GSA

ASTC	City	Miles#	Operating/ Procedure Rooms	Hours>	# Rooms Justified	Met Standard?
Ravine Way Surgery Center	Glenview	0	4	2,646	2	No
Glen Endoscopy Center	Glenview	1.9	3	3,578	3	Yes
Lurie Children's ASTC*	Northbrook	2	4	N/A	N/A	No
Illinois Sports Medicine & Surgery Ctr.	Morton Grove	4.5	5	4,109	3	No
Golf Surgical Center	Des Plaines	5.9	6	5,380	4	No
North Suburban Pain & Spine Institute*	Des Plaines	6.4	2	N/A	N/A	No
Presence Lakeshore Gastroenterology*	Des Plaines	8.4	2	N/A	N/A	No
Regenerative Surgery Center^	Des Plaines	8.5	3	405	1	No
Chicago Surgical Clinic Ltd.	Arlington Heights	10.1	3	110	1	No
North Shore Surgical Center	Lincolnwood	10.4	3	3,915	3	Yes
Uropartners Surgery Center	Des Plaines	12	3	49.5	1	No
Lakeshore Surgery Center	Chicago	12.3	2	1,763	2	Yes
Northwest Surgicare HealthSouth	Arlington Heights	12.3	5	3,438	3	No
Northwest Community Day Surgery	Arlington Heights	12.9	10	10,483	7	No
Novamed Surgery Center of Chicago Northshore	Chicago	12.9	2	2,002	2	Yes
Northwest Endoscopy Center*	Arlington Heights	13.8	2	1,981	2	Yes
Peterson Medical Surgicenter	Chicago	13.9	4	121	1	No
Rogers Park One Day Surgery Center	Chicago	14.5	2	203	1	No
Illinois Hand & Upper Extremity Institute	Arlington Heights	19.1	1	1,298	1	Yes
Total			66	25,768.5	18	6 Met

Hospital	City	Miles	Operating/ Procedure Rooms	Hours	# Justified	Met Standard?
Glenbrook Hospital	Glenview	4.3	16	29,407	20	Yes
Advocate Lutheran General Hospital	Park Ridge	6.5	35	53,318	36	Yes
Skokie Hospital	Skokie	7.4	17	25,294	17	Yes
Presence Holy Family Hospital	Des Plaines	8.2	10	1,804	2	No
Evanston Hospital	Evanston	8.8	25	43,065	29	Yes
Highland Park Hospital	Highland Park	9.3	18	30,434	21	Yes
Presence Resurrection Medical Ctr.	Chicago	9.3	17	16,901	12	No
Presence St. Francis Hospital	Evanston	10.9	18	9,993	7	No
Northwest Community Hospital	Arlington Heights	13.3	23	29,708	20	No
Total			179	239,924	160	5 Met

^ FKA Northwest Community Foot & Ankle Cente

* Facility currently under permit, or in ramp-up phase of operation

>Surgery Hours taken from 2017 ASTC/Hospital profiles

#Mileage calculated is surface driving miles. Facilities were identified as being within a 10-mile radius of applicant facility

