



STATE OF ILLINOIS  
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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<b>DOCKET NO:</b> H-03	<b>BOARD MEETING:</b> March 5, 2019	<b>PROJECT NO:</b> 18-044	<b>PROJECT COST:</b>
<b>FACILITY NAME:</b> Illinois Spine Institute		<b>CITY:</b> Schaumburg	<b>\$434,791</b>
<b>TYPE OF PROJECT:</b> Substantive			<b>HSA: VII</b>

**PROJECT DESCRIPTION:** The Applicant (Specialty Surgicare, Ltd.) is proposing to establish a limited-specialty ambulatory surgical treatment center (ASTC) in Schaumburg at a cost of \$434,791. The project completion date as stated in the application is December 31, 2019.

## EXECUTIVE SUMMARY

### PROJECT DESCRIPTION:

- The Applicant (Specialty Surgicare, Ltd.) is proposing to establish a limited-specialty ambulatory surgical treatment center at 500 West Golf Road, Schaumburg. The project will convert existing office space occupied by the Illinois Spine Institute. The project cost is \$434,791. The project completion date as stated in the application is December 31, 2019.
- The facility will be housed in 2,881 GSF of space, and provide orthopedic surgery and pain management services. Upon project completion, the facility will contain 1 operating rooms and 3 recovery stations.
- Specialty Surgicare, Ltd, was formed in September 2015, and is owned/operated through a 50% partnership between Dr. Babak Lami, M.D. (50% ownership interest), and Dr. Carl Graf (50% ownership interest).
- The proposed project is a substantive project subject to 77 IAC 1100 (Part 1110) and 77 IAC 1120 (Part 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 Applicant stated:

*“The purpose of this project is to provide the existing patient base of the Illinois Spine Institute and the surrounding community with access to pain and orthopedic procedures that they need to sustain a viable quality of life. There has been immense growth in the number of outpatient spine procedures performed in ASTCs. In a ten year period from 2005-2015, nearly 45% of all spine related procedures were performed on an outpatient basis. The Centers for Medicare and Medicaid (CMS) has continued to make changes that have fundamentally altered the reimbursement models available for outpatient spine procedures. Since 2015 there have been 10 new procedure codes added to the ASTC payable list by CMS. This is the clearest evidence yet that CMS is pushing to have these procedures performed in a lower cost ASTC setting. Establishment of this ASTC is designed to allow Illinois Spine Institute patients the ability to receive quality care in a facility where they are familiar with the doctors and staff, on an outpatient basis. We know that CMS does not reimburse certain procedures unless they are performed in a ASTC or hospital surgical suite setting. This reduces the available options for patients and puts them in a position of needing to see a different doctor or take their chances with obtaining an appointment in a hospital or surgical suite.”*

### PUBLIC HEARING/COMMENT:

- A public hearing was offered in regard to the proposed project, but no public hearing was requested. No letters of opposition 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 Applicant and note the following:
- Specialty Surgicare, Ltd. proposes to establish a limited-specialty ASTC in Schaumburg. The 2,881 GSF facility will consist of one operating room, three recovery stations, and offer orthopedic surgery and pain management services. The proposed ASTC will be located in an existing physicians office building. The building housing the Illinois Spine Institute will be licensed as an Ambulatory Surgery Treatment Center (ASTC), upon project completion.  
There is excess capacity in the proposed 10-mile geographical service area at hospitals and ASTCs.

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

<b>Criteria</b>	<b>Reasons for Non-Compliance</b>
77 ILAC 1110.235 (c) (2) (A)&(B) Service to Residents of GSA	The Applicant must provide patient origin information by zip code for the prior 12 months. This information must verify that <u>at least 50%</u> of the facility’s admissions were residents of the geographic service area (10-mile radii). The Applicant provided patient origin information by zip code or residence but 50% of the admissions were not within the 10-mile radii. [See page 10 of this report]
77ILAC 1110.235(c)(6) Service Accessibility	There are underutilized facilities in the service area (See Table Eight) providing Orthopedic and Pain Management surgical services, with no reported accessibility issues.
77 ILAC 1110.235(c)(7) – Unnecessary Duplication of Service/Maldistribution/Impact on Other Facilities	There are three (3) hospitals within ten (10) miles of the proposed project. Two are at target occupancy for surgery, and the third is at target occupancy for procedural services. Of the twelve (12) operating ASTCs within ten (10) miles, two are at target occupancy. (See Table Eight at the end of this report)

**STATE BOARD STAFF REPORT**  
**Illinois Paine Institute**  
**Project #18-044**

<b>APPLICATION CHRONOLOGY</b>	
Applicant	Specialty Surgicare, Ltd.
Facility Name	Illinois Spine Institute
Location	500 West Golf Road, Schaumburg
Permit Holder	Specialty Surgicare, Ltd.
Operating Entity/Licensee	Specialty Surgicare, Ltd.
Owner of Site	UNCUS, LLC
Gross Square Feet	2,881 GSF
Application Received	November 2, 2018
Application Deemed Complete	November 9, 2018
Financial Commitment Date	December 31, 2019
Anticipated Completion Date	December 31, 2019
Review Period Ends	March 2, 2019
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	No

**I. Project Description**

The Applicant (Specialty Surgicare, Ltd) is proposing to establish a limited-specialty ambulatory surgical treatment center (ASTC) at a cost of \$434,791, located at 500 West Golf Road, Schaumburg. The project completion date is December 31, 2019.

**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 in conformance with all relevant provisions of Part 1120.

**III. General Information**

The Applicant is Specialty Surgicare, Ltd. The proposed project will establish a limited-specialty ASTC in Schaumburg, providing orthopedic, and pain management surgical procedures. The 2,881 GSF facility will have one operating room and three recovery stations. Specialty Surgicare, Ltd. is a physician-owned limited domestic corporation, founded in September 2015. The investor/physician-owners are Dr. Babak Lami, M.D. (50% ownership interest) and Dr. Carl Graf, M.D. (50% ownership interest). The proposed project seeks to license an existing physician office (Illinois Spine Institute), into a limited-specialty ASTC.

**IV. Health Service Area/Health Planning Area**

The proposed ASTC will be located in suburban Cook County in Health Service Area 07. HSA-07 includes DuPage and suburban Cook County. There are fifty-five (55) Ambulatory Surgical Treatment Centers in HSA-VII, containing 168 operating rooms.

**V. Project Description**

Illinois Spine Institute, Ltd. proposes to establish a limited-specialty ASTC in Schaumburg. The facility will provide Orthopedic and Pain Management surgical procedures. The 2,881 GSF facility will be located in an existing physician's office (Illinois Spine Institute). The proposed ASTC will contain one operating room and three recovery rooms.

**VI. Project Costs**

The Applicant is proposing to fund the project in its entirety with cash and securities in the amount of \$434,791. The project costs entail the fair market value of a lease totaling \$359,791, and consulting fees amounting to \$75,000. There is no estimated start-up cost/operating deficit.

<b>Table Three</b>			
<b>Project Uses and Sources of Funds</b>			
<b>Use of Funds</b>	<b>Reviewable</b>	<b>Non Reviewable</b>	<b>Total</b>
Consulting and Other Fees	\$0	\$75,000	\$75,000
Fair Market Value of Leased Space/Equipment	\$261,100	\$98,691	\$359,791
<b>Total Use of Funds</b>	<b>\$261,100</b>	<b>\$173,691</b>	<b>\$434,791</b>
<b>Sources of Funds</b>			
Cash and Securities	\$261,100	\$173,691	\$434,791
<b>Total Source of Funds</b>	<b>\$261,100</b>	<b>\$173,691</b>	<b>\$434,791</b>
Source: Application for Permit Page 5			

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

**A) Criterion 1110.110(a) - Background of the Applicant**

**To demonstrate compliance with this criterion the Applicant 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;

Specialty Surgicare, Ltd. is the sole Applicant and owner of Illinois Spine Institute, Schaumburg. Specialty Surgicare, Ltd. is a physician-owned domestic corporation founded in September 2015. The investors/physician-owners are Dr. Babak Lami M.D., and Dr. Carl Graf, M.D. (each with 50% ownership interest). The Applicant supplied proof of its Certificate of Good Standing, and licensure/accreditation credentials 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. 47]

Dr. Graf M.D. and Dr. Lami M.D. are both Board-certified Orthopedic Spinal Surgeons. Dr Lami specializes in pediatric and adult spinal surgery, and Dr. Graf specializes in caring for patients with degenerative, traumatic, neoplastic, and infectious conditions of the cervical, thoracic, and lumbar spine. Both physicians have a history of treating patients at the Illinois Spine Institute, Schaumburg. (Application, pgs. 48-53).

A copy of the term sheet for the building lease between Illinois Spine Institute, Ltd. and UNCUS, LLC was provided on page 25 as evidence of site ownership.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANT (77 ILAC 1110.110(a))**

**B) Criterion 1110.110(b) – Purpose of the Project**

**The Applicant is asked to:**

1. Document that the project will provide health services that improve the health care or wellbeing 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 Applicant stated the following:**

*“The purpose of this project is to provide the existing patient base of the Illinois Spine Institute and the surrounding community with access to pain and orthopedic procedures that they need to sustain a viable quality of life.”*

**B) Criterion 1110.110(c) – Safety Net Impact**

**Statement The Applicant 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 Applicant stated the following:**

*“This project will have a significant impact on the essential safety net services in the community. Our doctors are either currently Medicare and Medicaid certified physicians (or have pending applications), whose existing patient base will utilize the facility to continue treatments to alleviate chronic pain conditions and address back pain through state of the art spinal intervention procedures.”*

The US Department of Health and Human Services defines safety net providers: *“providers that organize and deliver a significant level of both health care and other health-related services to the uninsured, Medicaid, and other vulnerable populations,” as well as providers “who by mandate or mission offer access to care regardless of a patient’s ability to pay and whose patient population includes a substantial share of uninsured, Medicaid, and other vulnerable patients”*

Table Four contains historical safety net impact/charity care data for Illinois Spine Institute (see below).

<b>TABLE FOUR</b>			
<b>Charity Care Information Illinois Spine Institute</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Net Patient Revenue</b>	<b>\$1,626,503</b>	<b>\$1,500,688</b>	<b>\$2,226,129</b>
<b>Amount of Charity Care</b>	<b>0</b>	<b>\$6,513.35</b>	<b>\$900.00</b>
<b>Cost of Charity Care</b>	<b>0</b>	<b>\$6,513.35</b>	<b>\$900.00</b>
<b>Charity Care</b>			
# of Outpatients	0	1	1
Total Cost of Charity Care	0	\$6,513.35	\$900.00
<b>Medicaid</b>			
Outpatient	4	24	44
<b>Total</b>	<b>4</b>	<b>24</b>	<b>44</b>
<b>Medicaid Revenue</b>			
Outpatient	\$64.88	\$3,332.00	\$7,716.38
<b>Total</b>	<b>\$64.88</b>	<b>\$3,332.00</b>	<b>7,716.38</b>
Source: Additional information contained in project file			

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

**To demonstrate compliance with this criterion the Applicant 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 Applicant considered four alternatives in total. [Application for Permit page 89-90]

**1. Take No Action**

The applicant rejected this alternative, noting that they already have an established patient base that relies on the care of Drs. Graf and Lami. Based on the shift in CMS reimbursement models, the option of doing nothing would not be beneficial to their patient base. Therefore this option was rejected.

**2. Utilize a Hospital Surgical Suite**

Similar to the previous mentioned alternative, this option is deemed infeasible, due to the change in CMS reimbursement schedules, which results in higher patient costs for services at inpatient facilities.

**3. Rely on Available Capacity at Other Surgery Centers**

The applicants note their physician practice, Illinois Spine Institute, is a highly respected facility, with an established patient base that stand to benefit greatly from having the facility licensed as a limited-specialty ASTC. Relying on other providers for surgery space and times creates hardships pertaining to access and patient safety/satisfaction. The Applicants propose to establish a limited specialty ASTC to keep their patient base in a familiar environment, but allow access to quality health care at a lower cost.

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

**A) Criterion 1110.120 (a) – Size of the Project**

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

The Applicant proposes to establish a limited specialty ASTC in 2,881 GSF of space. The clinical portion, (2,090 GSF), will accommodate one Class C surgical suite and three recovery stations. The State standard for ASTC rooms is 2,075 - 2,750DSGF per room. The reported spatial allocation meets the state standard for size compliance and the requirements of the criterion.

**B) Criterion 1110.120 (b) – Projected Utilization**

**To document compliance with this criterion the Applicant 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 Applicant supplied referral letters from five physicians (see Table Five), agreeing to the referral of 1,080 patients (application pgs. 103-112). This equates to 1,922 hours annually by the second year of operation. The Applicant met the requirements of this criterion. (Application p. 41)

<b>TABLE FIVE Projected Utilization per Physician Illinois Spine Institute, Schaumburg</b>			
<b>Physician (Specialty)</b>	<b>Historical Volume (past 12 months*)</b>	<b>Anticipated Referrals by Specialty</b>	
		<b>Pain Mgmt.</b>	<b>Spinal Surgery</b>
<b>Dr. Lami (Pain Mgmt.)</b>	1,150	420	105
<b>Dr. Graf (Spinal Surgery)</b>	1,250	280	70
<b>Dr. Yuk (Pain Mgmt.)</b>	300	64	16
<b>Dr. Panchal (Pain Mgmt.)</b>	300	60	15
<b>Dr.Tarandy (Orthopedics)</b>	200	50	
<b>Sub-Total</b>		<b>874</b>	<b>206</b>
<b>TOTAL</b>	<b>3,200</b>	<b>1,080</b>	
Average Procedure Time: 107 minutes (1,080 referrals x 1.78hrs.=1,922hrs.)			
*12-Month Period Ending October 2018			
# Annual Referrals by 2020.			

**C) Criterion 1110.120 (d) – Unfinished or Shell Space**

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

The project will not include shell space, this criterion is inapplicable.

**D) Criterion 1110.120 (e) Assurances**

**The Applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding 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.**

The Applicant supplied the necessary attestation that the proposed ASTC will be operating in compliance with the State Board utilization standard by the second year after project completion (application, p. 126).

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA SIZE OF THE PROJECT, PROJECTED UTILIZATION, SHELL SPACE, AND ASSURANCES (77 ILAC 1110.120 (a), (b), (d) and (e))**

**IX. Establish an Ambulatory Surgery Surgical Treatment Center**

**A) Criterion 1110.235(c)(2)(A) and (B) – Service to GSA Residents**

**To demonstrate compliance with this criterion the Applicant 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.**

By rule the Applicant must identify all zip codes within the geographical service area (10 miles) of the proposed ASTC. The Applicant provided this information on page 95 of the application. Additionally submitted material includes a listing of historical patient origin information for 1,475 patients originating from zip codes, which due to physician office locations, results in a significant portion of the patient referrals (79.5%) being from zip codes outside the service area.

In addressing this section, the Applicant supplied a listing of patient origination data for Dr.s Graf, Lami, Yuk, and Parchal (see supplemental information). This listing identified 30 zip codes in which 301 (20.5%) of the total 1,475 patients resided. By rule the Applicant must document that 50% of the proposed referrals (surgeries) will be provided to residents residing within the 10-mile radius ("GSA"). The Applicant did not do this. The Applicant has not met the requirements of this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION GEOGRAPHIC SERVICE AREA NEED (77 ILAC 1110.235(c)(2)(A) and (B))**

**B) Criterion 1110.235 (c) (3) - Service Demand – Establishment of an ASTC Facility**

**To demonstrate compliance with this criterion the Applicant 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's or hospitals.** The Applicant submitted five referral letters attesting to the historical patient referrals for 3,200 surgeries/procedures in the past year (2017), and the approximate referral of 1,080 patients to the ASTC, by the second year after project completion. The five referral letters indicate that all of the historical referrals were from IDPH-licensed ASTCs or hospitals in the proposed GSA. The Applicant has met the requirements of this criterion with the 3,200 historical referrals to the existing ASTCs and hospitals, and the proposed referral of 1,080 patients to the ASTC, after project completion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION SERVICE DEMAND (77 ILAC 1110.235(c)(3))**

**C) Criterion 1110.235(c)(5) - Treatment Room Need Assessment**

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

1. Based upon the State Board Staff's review of the referral letters, the Applicant can justify 2,278 hours (1,280 procedures), in the first year after project completion. This number of operating/procedure hours justifies the one (1) surgical suites being requested by the applicant.

- The Applicant supplied an estimated time per procedure (Table Six), which includes prep/clean-up. This time was gathered from historical procedures performed at facilities in the service area in the past 12 months (2017), and average procedure times were calculated from these data.

<b>Table Six</b>			
<b>Estimated Number of Procedures/Time per Procedure</b>			
<b>Specialty</b>	<b>Cases</b>	<b>Hours/Case</b>	<b>Total Hours</b>
<b>Pain Management</b>	874	1.78 hrs/107 minutes	1,555
<b>Orthopedic Surgery</b>	206		367
<b>Total</b>	<b>1,080</b>		<b>1,922</b>

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION TREATMENT ROOM NEED ASSESSMENT (77 ILAC 1110.235(c)(5))**

**D) Criterion 1110.235(c)(6) - Service Accessibility**

**To document compliance with this criterion the Applicant 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:**

- There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project;
- 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;
- 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;
- 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:
  - The existing hospital is currently providing outpatient services to the population of the subject GSA;
  - 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;
  - 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
  - The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.
- There are existing ASTCs/Hospitals in the identified GSA that are under-utilized. [See Table Nine at the end of this report.]

The Applicant notes there are ten (10) ASTCs and three (3) acute care hospitals in the service area. State Board staff notes two of the ten ASTCs are either under construction

or are in ramp-up, and two provide endoscopy and vascular access exclusively. The remaining six facilities provide either Orthopedic surgery, Pain Management, or a combination of the two. There appears to be no access issues to the two surgical services proposed with this project, and a negative finding results.

2. The State Board Staff does not consider the proposed project a cooperative venture with one of the persons operating an existing hospital.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 ILAC 1110.235(c) (6))**

## **E) Criterion 1110.235(c)(7) - Unnecessary Duplication/Mal-distribution/Impact on Other Providers**

1. To demonstrate compliance with this criterion the Applicant 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 Applicant 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 Applicant 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 Applicant stated the following to address this criterion:**

The Applicant identified a general service area (GSA) extending 10 miles in all directions from the site of the proposed ASTC, and Board Staff concurs with these findings. This GSA includes 31 zip codes. The population estimate for this GSA is approximately 929,375, per GeoLytics.

There are a total of three (3) hospitals and ten (10) ASTCs in the identified 10-mile service area. [See Table Nine at the end of this report].

### **1. Unnecessary Duplication of Service**

According to the applicant, the project will not result in an unnecessary duplication of service, based on the types of services provided, and the growing need for outpatient Orthopedic/Pain Management services in the service area. Board Staff concurs with the growing need for outpatient surgical services, based on the revised Medicare/Medicaid reimbursement, and also affirms that five (5) of the ten (10) (50%) ASTCs provide Pain Management services, and five (5) of the ten (10) (50%) ASTCs provide Orthopedic surgical services.

#### **1.Limited/Multi-Specialty ASTCs**

There are ten (10) limited/multi-specialty ASTCs within ten (10) miles. Only two (2)(20%) are operating at target occupancy. Eight (8)(80%) of the ten (10) ASTCs are operating below State Board standards.

#### **2.Hospitals**

There are three (3) hospitals within the proposed 10 mile GSA, two (2/66%) of the hospitals are at the target occupancy of 1,500 hours for surgery and one (1/33%) is at operational capacity for procedure room services.

2. **Mal-Distribution**

The Applicant notes the room to population ratio does not indicate a surplus of surgical rooms in the service area (see Table Seven)

<b>TABLE SEVEN</b>			
<b>Room to Population Ratio</b>			
	<b>Population</b>	<b>Rooms</b>	<b>Rooms to Population</b>
<b>State</b>	13,129,223*	2,904	1:4,521
<b>GSA</b>	929,375	107	1:8,685

\*2020 population projection

**Reviewer Note:** A surplus is defined as the ratio of operating/procedure rooms to the population within the ten (10) minute GSA [GSA Ratio], to the State of Illinois ratio that is 1.5 times the GSA ratio.]

3. **Impact on Other Facilities**

The Applicant stated the impact on other facilities would be minimal, based on the fact that the projected patient base is dedicated as they would be originating from the Illinois Spine Institute.

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 ILAC 1110.235(c)(7))**

F) **Criterion 1110.235(c)(8) - Staffing**

**To demonstrate compliance with this criterion, the Applicant 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 applicant attests the proposed facility will operate with sufficient staffing levels required for licensure and already in place at the Illinois Spine Institute. If additional staff are needed, recruitment will occur upon project completion, using job search sites, and professional placement services. 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 ILAC 1110.235(c)(8))**

**G) Criterion 1110.235(c)(9) - Charge Commitment**

**To document compliance with this criterion the Applicant 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 Applicant supplied a statement of charges (application, p. 123-125) and attested that the identified charges will not increase for at least the first two years the Applicant is in operation as an ASTC.

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

**H) Criterion 1110.235 (c)(10) - Assurances**

**To demonstrate compliance with this criterion the Applicant must attest that a peer review program will be implemented and the proposed ASTC will be at target occupancy two years after project completion.**

Through the signed certification page, the Applicant attests that Specialty Surgicare Ltd. will implement a peer review program to maintain quality patient care standards, and meet or exceed the utilization standards specified in 77 IAC 1100, by the second year of operation (application p. 126).

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.1540 (c))**

**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**

**To demonstrate compliance with this criterion the Applicant must document that funds are available.**

The Applicant (Specialty Surgicare, Ltd.) is proposing to fund the project in its entirety with cash and securities in the amount of \$434,791, This amount entails the fair market value of leased space/equipment (\$359,791), and consulting fees (\$75,000). Specialty Surgicare is a jointly owned entity between Dr. Baback Lami M.D. (50%), and Dr. Carl Graf M.D. (50%). Each physician/owner has supplied copies of his tax returns from the years 2015, 2016, and 2017. Based on these submissions, it appears the applicants are financially viable to undertake the proposed project.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 ILAC 1120.120)**

**B) Criterion 1120.130 - Financial Viability**

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

The Applicant is funding the project in its entirety with cash and securities totaling \$434,791. Income Tax returns from 2015-2017 for both physician/owners, as well as projected financial viability ratios for the first year of operations (See Table Eight) have successfully proven financial viability. The Applicant has successfully addressed this criterion.

<b>TABLE EIGHT Specialty Surgicare Ltd. Financial Ratios</b>					
Ratios	State Board Standard	FY 2015	FY 2016	FY 2017	Projected 2020
Current Ratio	>1.5	N/A	N/A	N/A	4.33
Net Margin %	>3.5%	N/A	N/A	N/A	130%
Percent Debt to Total Capitalization	<80%	N/A	N/A	N/A	45%
Projected Debt Service Coverage	>1.75	N/A	N/A	N/A	5.57
Days Cash on Hand	>45 days	N/A	N/A	N/A	47
Cushion Ratio	>3.0	N/A	N/A	N/A	3.00

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 ILAC 1120.130**

## **XI. ECONOMIC FEASIBILITY**

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

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

The Applicant (Specialty Surgicare, Ltd) is proposing to fund the project with cash and securities in the amount of \$434,791. These funds address the fair market value of leased space and equipment, and consulting fees. The applicants have supplied documents proving financial viability, and no financing will occur as a result of this project.

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

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

The Applicant (Specialty Surgicare, Ltd) is proposing to fund the project with cash and securities in the amount of \$434,791. These funds address the fair market value of leased space and equipment, and consulting fees. The ASTC will be established in an existing physicians office, with rooms already built to ASTC standards. No new construction/modernization will occur as a result of this project.

The Applicant has met the requirements of this criterion.

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 ILAC 1120.140(c))**

### **D) Criterion 1120.140(d) Projected Operating Costs**

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

The Applicant provided projected annual capital costs for the first two years after project completion. 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 ILAC 1120.140(d))**

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

**To determine compliance with this criterion the Applicant must provide documentation of the projected capital costs per equivalent patient day.**

The Applicant provided the total annual capital costs per patient day/procedure for the first two years after project completion. 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 ILAC 1120.140(e))**

**TABLE NINE**

**Facilities in the 10-Mile Travel Radius of Proposed Facility**

Facility	City	Type	Distance	OR/Procedure Rooms	Hours	Medicaid	Medicare	Met Standard? <sup>(1)</sup>
ASTC								
<b>Schaumburg Surgery Ctr.</b>	Schaumburg	Multi	1	2	N/A*	N/A	N/A	N
<b>Hoffman Estates Surgery Ctr</b>	Hoffman Estates	Multi	3	4/2	3,874	N	Y	N
<b>Illinois Vascular Care&gt;</b>	Schaumburg	Single	4	1	N/A*	N/A	N/A	N
<b>Illinois Hand &amp; Upper Extremity</b>	Arlington Heights	Single	5	1	1,298	N	N	Y
<b>Ashton Ctr. For Day Surgery</b>	Hoffman Estates	Multi	6	4	1,715	N	Y	N
<b>Northwest Surgicare Healthsouth</b>	Arlington Heights	Multi	6	4/1	3,343	N	Y	N
<b>Northwest Endoscopy Ctr.&lt;</b>	Arlington Heights	Single	6	2	1,981	N	Y	Y
<b>Northwest Community Day Surgery</b>	Arlington Heights	Multi	7	10	10,480	Y	Y	N
<b>Aiden Center for Day Surgery</b>	Addison	Multi	10	4	525	N	Y	N
<b>Barrington Pain &amp; Spine Institute</b>	Barrington	Limited	10	2/1	126	Y	Y	N
<b>*Facility under construction or in ramp-up phase</b>								
>Illinois Vascular Care providing vascular access for dialysis patients exclusively								
<Provides Endoscopy Procedures exclusively								

**TABLE NINE (continued)  
HOSPITALS WITHIN 10 MILES OF PROPOSED PROJECT**

Facility	City	Distance	OR/Procedure Rooms	Hours	Medicaid	Medicare	Utilization Met?
<b>St Alexius Medical Ctr.</b>	Hoffman Estates	3	15/6	21,360/8,970	Y	Y	Y/Y
<b>Alexian Brothers Medical Ctr.</b>	Elk Grove Villa	6	15/10	26,024/11,843	Y	Y	Y/N
<b>Northwest Community Hospital</b>	Arlington Heights	6	14/9	18,912/10,796	Y	Y	N/N

Travel time determined using formula in 771AC 1100.510 (d)  
Data taken from CY 2017 Hospital/ASTC Profiles  
NA – information not available

# 18-044 Illinois Spine Institute - Schaumburg

