STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: **H-11**	BOARD MEETING: December 10, 2019	PROJECT NO: 19-054	PROJECT COST:
FACILITY NAME: Associated Surgical Center		CITY: Arlington Heights	Original: $120,800
TYPE OF PROJECT: Non-Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicant (Associated Surgical Center, LLC) proposes to add orthopedic surgical specialty to a multi-specialty ASTC. The cost of the project is $120,800 and the expected completed date is February 8, 2020.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicant (Associated Surgical Center, LLC f/k/a Chicago Surgical Center, Ltd.) proposes to add orthopedic surgical specialty to a multi-specialty ASTC. The cost of the project is $120,800 and the expected completed date is February 8, 2019.

BACKGROUND

- In December 2012 (Permit #12-076) the State Board approved the Applicant to establish a multi-specialty ASTC with two operating rooms, one procedure room and six recovery stations that will provide obstetrics/gynecology, dermatology, gastroenterology, general/other, ophthalmology, oral/maxillofacial, plastic, pain management, podiatry, otolaryngology, and urology. The facility was licensed in June of 2016.
- On March 13, 2017 the Chairman of the State Board approved a change of ownership of Chicago Surgical Center, Ltd to Associated Surgical Center, LLC. This change of ownership was a related party transaction as Dr. Yelana Levitan owned 100% of Chicago Surgical Center, Ltd. and owns 100% of the membership interest of Associated Surgical Center, LLC.
- Below is the historical data for the facility. No procedures have been performed for OB/GYN, dermatology, ophthalmology, oral/maxillofacial, pain management, otolaryngology, and urology as of the close of 2018.

Year	2016		2017		2018	
Surgical Specialties	**Surgeries**	**Hours**	**Surgeries**	**Hours**	**Surgeries**	**Hours**
Gastroenterology	39	25	324	202	467	243
General Surgery	61	85	111	229	396	693
Plastic Surgery	0	0	0	0	24	132
Podiatry	0	0	0	0	40	90
Total	100	110	435	431	927	1,158

Year	2016		2017		2018	
	Dollar	**% of Total Revenue**	**Dollar**	**% of Total Revenue**	**Dollar**	**% of Total Revenue**
Medicare	$0	0.00%	$46,630	8.20%	$138,887	14.03%
Medicaid	$0	0.00%	$0	0.00%	$24,533	2.48%
Other Public	$0	0.00%	$0	0.00%	$83,565	8.44%
Private Insurance	$12,510	36.24%	$421,058	74.06%	$519,850	52.52%
Private Pay	$22,008	63.76%	$89,386	15.72%	$223,048	22.53%
Charity Care	$0	0.00%	$11,428	2.01%	$14,939	1.51%
Total	$34,518	100.00%	$568,502	100.00%	$989,883	100.00%

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The proposed project is before the State Board because the proposed project adds a surgical specialty to an existing licensed Ambulatory Surgical Treatment Center per 77 ILAC 1110.235 (b).

PURPOSE OF THE PROJECT:

- The Applicant stated: "*The purpose of the proposed project is to provide an avenue for orthopedic surgeons to perform cases at the Associated Surgical Center.*"

PUBLIC HEARING/COMMENT:

- No public hearing was requested, and no letters of opposition were received by the State Board Staff. Five letters of support were received from
  - Dr. John Kane
  - Dr. Daniel Maksimovich
  - Dr. Giuseppe Gagliardi
  - Alex Etman, Editor Russian Media Group
  - Macron Medical Partners

SUMMARY:

- The State Board in its evaluation of proposed projects must consider if a proposed project best meets the needs of an area population. Need for a project considers such factors as demand, population growth, incidence and state and federal facility utilization. (77 ILAC 1100.310)
- No new operating/procedure rooms are being added. The facility is currently underutilized and the proposed 100 orthopedic procedures will not add a significant number of hours (200 hours) to the facility. The Applicant did not provide assurance that the facility will be at target within two years as required. In additional material the Applicant stated the number of cases at the surgery center have increased by 59% in 2019 over 2018 levels.
- The Applicant believes the orthopedic specialty should be added because reimbursement from insurance companies, including Medicare and Medicaid, and cost savings for patients are leading to the increased utilization of ASTCs for more surgical cases. The Centers for Medicare and Medicaid Services (CMS) has increased the number and type of procedures that are reimbursable when performed in an ASTC. Because ASTCs do not have the same overhead and ancillary service costs that a hospital does, patients are responsible for lower overall costs, as well as lower coinsurance costs. Additionally, the Applicant believes orthopedic procedures should be added because Associated Surgical Center provides services to individuals not generally provided care by ASTCs. As seen in Table Six (page 14 of this report) Associated Surgical Center provides more Medicaid and Charity Care than the three ASTCs in the 10-mile GSA.
- The Applicant addressed a total of the 22 criteria and have not met the following criteria:

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
77 ILAC 1110.120 (b) – Projected Services Utilization	The facility is not at target occupancy and the proposed additional specialty will not result in the facility reaching target occupancy.
77 ILAC 1110.120 (e) & 77 ILAC 1110.235 (c) (10) – Assurance	The Applicant did not provide assurance that the facility will reach target occupancy within two years after project completion as required.
77 ILAC 1110.235 (c) (3) - Service Demand	The addition of the orthopedic specialty will add 200 hours to the ASTC's surgical hours. This number of hours is not sufficient demand to reach target occupancy. (See page 12 of this report)

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
77 ILAC 1110.235 (c) (6) – Service Accessibility	The Applicant was unable to meet one of the conditions for this criterion. (See page 13-14 of this report)
77 ILAC 1110.235 (c) (7) – Unnecessary Duplication	There are three ASTCs that provide orthopedic surgical services within the 10-mile GSA that have the capacity to accommodate the demand identified by this project. (See Page 15 of this report)

STATE BOARD STAFF REPORT
Associated Surgical Center
Project #19-054

APPLICATION/ CHRONOLOGY/SUMMARY	
Applicants(s)	Associated Surgical Center, LLC.
Facility Name	Associated Surgical Center
Location	129 West Rand Road, Arlington Heights, Illinois
Permit Holder	Associated Surgical Center, LLC.
Operating Entity/Licensee	Associated Surgical Center, LLC.
Owner of Site	Rand Road Center, LLC
Application Received	October 29, 2019
Application Deemed Complete	October 29, 2019
Financial Commitment Date	February 8, 2020
Anticipated Completion Date	February 8, 2020
Review Period Ends	December 29, 2019
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

I. Project Description

The Applicant (Associated Surgical Center, LLC) proposes to add orthopedic surgical services to a multi-specialty ASTC. The cost of the project is $120,800 and the expected completion date is February 8, 2020.

II. Summary of Findings

A. State Board Staff finds the proposed project not in conformance with all relevant provisions of Part 1110.

B. State Board Staff finds the proposed project in conformance with all relevant provisions of Part 1120.

III. General Information

The Applicant is Associated Surgical Center, LLC with 100% of the membership interest owned by Dr. Yelena Levitin. Dr. Levitin has stated that she will maintain, at minimum, a 50% ownership interest in the LLC for a minimum of two years. Dr. Yelena Levitin, MD, is a General Surgery specialist and is the medical director of Associated Surgical Center, LLC.

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

- *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.*

- *Projects proposing a new service or discontinuation of a service, which shall be reviewed by the Board within 60 days.*
- *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 Details

The Applicant is proposing to add orthopedic surgical specialty to its existing multi-specialty ASTC. The Applicant has been approved to perform obstetrics/gynecology, dermatology, gastroenterology, general/other, ophthalmology, oral/maxillofacial, plastic, pain management, podiatry, otolaryngology, and urology.

V. Health Service Area

The facility is located in the HSA VII Health Service Area. HSA VII includes DuPage and Suburban Cook Counties. There are 52 ASTCs in this service area and 30 acute care hospitals. This Service Area has seen an increase in the number of surgical cases performed at ASTCs of approximately 5.5% annually for the period 2007-2017. The Geographical Service Area for this project is a 10-mile radius that has 3 ASTCs and 4 hospitals (See Table Five below).

Population

The State Board is projecting a decrease in the population in this service area of 9.66% for the period 2017 to 2022.

TABLE ONE
Projected Population
HSA VII Service Area

Year	Population (Projected)
2017	3,424,900
2022	3,094,000
Difference	330,900
% Difference	-9.66%

VI. Project Uses and Sources of Funds

The Applicant is funding this project with cash in the amount of $120,800.

TABLE TWO
Project Uses And Sources Of Funds

Uses of Funds	Total
Consultant fees	$40,000
Movable Equipment	$80,800

Total Uses of Funds	$120,800
Sources of Funds	
Cash and Securities	$120,800
Total Sources of Funds	**$120,800**

VII. Background, Purpose of the Project, Safety Net Impact and Alternatives to the Proposed Project

A) Criterion 1110.110 (a) (1) (3) – Background of the Applicant

To demonstrate compliance with this criterion the applicant must document the *qualifications, background, character and financial resources to adequately provide a proper service for the community* and also demonstrate that the project promotes the *orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of facilities* or service.

1. The Applicant does not own any other health care facility as that term is defined at 20 ILCS 3960/3.

2. The Applicant provided the necessary attestation that no adverse action[1] has been taken against any facility owned or operated by the Applicant and authorization allowing the State Board and IDPH access to all information to verify information in the application for permit. [Application for Permit page 35]

3. The Applicant is a for profit entity in good standing with the Illinois Secretary of State. **A certificate of good standing is a** legal status conferred by a state on a company incorporated within its jurisdiction that allows it to conduct business legitimately. The status is granted based on the company's current **standing** related to required state filings, fees and tax obligations.

4. A copy of the lease of the facility has been provided as evidence of ownership. [See Additional Information received November 14, 2019]

5. Evidence of compliance with Executive Order #2006-5 and compliance with Illinois State Agency Historic Resources Preservation Act is not required for this project because no construction or modernization is occurring.

B) Criterion 1110.110-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 stated in part: *"The purpose of the proposed project is to provide an avenue for orthopedic surgeons to perform cases at Associated Surgical Center."*

C) Criterion 1110.110 – Safety Net Impact Statement

[1] "Adverse 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)

All health care facilities, with the exception of skilled and intermediate long term care facilities licensed under the Nursing Home Care Act, shall provide a safety net impact statement, which shall be filed with an application for a substantive project (see Section 1110.40). ***Safety net services are the services provided by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation.*** **[20 ILCS 3960/5.4]**

A safety net impact statement is not required for non-substantive projects.

D) Criterion 1110.110 – Alternatives to the Proposed 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.

No other alternative was considered than to add orthopedic surgical specialty.

VIII. Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.120 (a) - Size of Project

The applicant shall document that the physical space proposed for the project is necessary and appropriate. The proposed square footage cannot deviate from the square footage range indicated in Appendix B or exceed the square footage standard in Appendix B if the standard is a single number, unless square footage can be justified by documenting, as described in subsection (a)(2).

No construction or modernization is being proposed by this project. This project is limited to adding a surgical specialty to an existing multi-specialty ASTC.

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

B) Criterion 1110.120 (b) - Project Services Utilization

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of years projected shall not exceed the number of historical years documented.

This project is limited to adding a surgical specialty to an existing multi-specialty ASTC. As documented in the Executive Summary the 100 orthopedic referrals that are to occur within two years will not substantially increase the number of hours at the surgery center. The Applicant has not met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION PROJECT SERVICES UTILIZATION (77 ILAC 1110.120 (b))

C) Criterion 1110.120 (e) – Assurance

The applicant shall submit the following:

1) 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.

No assurance was provided by the Applicant that the facility will be at target occupancy by February 2022. The State Board Staff is not able to make a positive finding regarding this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION ASSURANCE (77 ILAC 1110.120 (e))

IX. Non-Hospital Based Ambulatory Surgical Treatment Center Services

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

The applicant shall 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 shall 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 shall 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 Applicant has been approved to provide gastroenterology, general, obstetrics/gynecology, dermatology, ophthalmology, oral/maxillofacial, plastic, pain management, podiatry, otolaryngology, and urology surgical specialties and are proposing to add orthopedic surgery. The established GSA for a facility located in Cook County is a 10-mile radius. The Applicant identified a total of 42 zip codes within this 10-mile radius with a population of approximately 900,723 residents. Of the 927 cases performed by the Applicant (Associated Surgical Center) in 2018 approximately 55.8% (518 cases ÷ 927 total cases = 55.8%) came from within the 10-mile GSA.

The Applicants stated *"that 80% of the ASTC's patients are Russian/Eastern European or Spanish-speaking, many of whom travel greater distances than typical to access ASTC services because of the applicant ASTC's commitment to providing a broad spectrum of multi-lingual staff. An example of this experienced during 2018 are the patients residing in Elgin and adjacent Carpentersville (ZIP Code areas 60110, 60120, and 60123), located outside of the 10-mile radius, but accounting for 5.5% of the 2018 surgical cases performed in the ASTC. A very high percentage of these patients are Spanish-speaking."*

TABLE THREE
Population by Zip Code within 10-mile radius and Patients provided services at Associated Surgical Center

Zip	City	County	Population	Distance (Miles)	2018 Patients
60004	Arlington Heights	Cook	52,645	0	31
60090	Wheeling	Cook	39,912	3.025	115
60070	Prospect Heights	Cook	17,120	3.028	16
60008	Rolling Meadows	Cook	23,546	3.494	12
60074	Palatine	Cook	40,575	3.691	61
60005	Arlington Heights	Cook	31,052	3.767	24
60089	Buffalo Grove	Lake	42,970	4.062	51
60056	Mount Prospect	Cook	58,806	4.493	34
60067	Palatine	Cook	41,074	4.509	6
60173	Schaumburg	Cook	13,605	5.317	

TABLE THREE
Population by Zip Code within 10-mile radius and Patients provided services at Associated Surgical Center

Zip	City	County	Population	Distance (Miles)	2018 Patients
60069	Lincolnshire	Lake	7,764	5.955	
60016	Des Plaines	Cook	62,752	6.243	42
60015	Deerfield	Lake	26,928	6.764	
60195	Schaumburg	Cook	5,120	6.819	
60007	Elk Grove Village	Cook	34,710	7.018	
60062	Northbrook	Cook	42,905	7.205	17
60025	Glenview	Cook	14,677	7.378	23
60047	Lake Zurich	Lake	44,310	7.448	17
60194	Schaumburg	Cook	20,767	8.337	
60025	Glenview	Cook	41,504	8.407	23
60169	Hoffman Estates	Cook	35,402	8.448	
60061	Vernon Hills	Lake	28,657	8.543	25
60018	Des Plaines	Cook	30,802	8.963	24
60193	Schaumburg	Cook	40,163	9.164	
60010	Barrington	Lake	47,054	9.545	
60192	Hoffman Estates	Cook	16,839	9.748	
60068	Park Ridge	Cook	39,064	9.767	
Total			900,723		518

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))

B) Criterion 1110.235 (c) (3) (A) & (B) - Service Demand –Additional ASTC Service

The applicant shall 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 intent of this criterion is to document the service demand experienced by the Applicant. In 2012 the State Board approved this facility for eleven surgical specialties. As of the date of this report four surgical specialties have been performed at this facility since mid-2016. The Applicant in 2018 operated at 25.7% of capacity (1,158 hours ÷ 4,500 hours = 25.7%). **Note:** The State Board standard is 1,500 hours per operating/procedure room which is 80% of capacity.

The Applicant provided three physician referral letters that included

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 three physicians have committed to refer 100-patients within two years.

TABLE FOUR
Physician Historical Referrals

Physicians		**Dr. Donahoe**		**Dr. O'Keefe**		**Dr. Poepping**	
Proposed Referrals	100	50		20		30	
	Miles	2018	2019	2017	2018		
Northwest Community Hospital	4.2	276	391				
Alexian Brothers Medical Ctr.	12			130	140		
Fullerton Surgical Ctr.	26.4			130	145		
Illinois Ortho. Network	NA					65	117
Elmhurst Memorial Hospital	24.8					56	32
Lakeshore Surgery Center	21.8					31	32
Total		276	391	260	285	152	181

The 100 orthopedic procedures, should they materialize will add 200 hours at the facility. The facility will remain underutilized. The Applicant has not met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT <u>NOT</u> IN CONFORMANCE WITH CRITERION SERVICE DEMAND (77 ILAC 1110.235 (c) (3) (A) & (B))

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

A) The applicant shall 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 shall 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 has been approved for two operating rooms, one procedure room and six recovery stations. No additional operating/procedure rooms are being requested to be added. With an average case time of two hours the facility will have an additional 200 hours of utilization should this project be approved.

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

D) Criterion 1110.235 (c) (6) – Service Accessibility

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.

A) There are three licensed ASTCs in the 10-mile GSA besides the Applicant (Associated Surgical Center, LLC). The three ASTCs are multi-specialty ASTCs and currently perform orthopedic surgeries. As can be seen by the table below the three facilities have existing capacity that can accommodate the demand identified by this project.

B) There are four hospitals in this 10-mile GSA. One hospital (Northwest Community Hospital) can accommodate the demand identified by this project.

C) Orthopedic surgery is available in this 10-mile GSA.

D) The proposed project is not a cooperative venture with a hospital.

TABLE FIVE
ASTC and Hospitals within the 10-mile GSA

				2017		2018	
ASTC	City	Miles	Rooms	Hours	Rooms Justified	Hours	Rooms Justified
Northwest Community Day Surgery	Arlington Heights	4.1	10	10,481	7	10,181	7
Northwest Surgicare	Arlington Heights	4.2	6	3,438	3	3,109	3
Golf Surgical Center	Des Plaines	8.6	8	5,382	4	1,944	2
Hospital							
Northwest Community Hospital	Arlington Heights	4	22	29,708	20	27,872	19
Glenbrook Hospital	Glenview	8.1	15	29,407	20	32,436	22
Advocate Good Shepherd Hospital	Barrington	10	23	28,533	20	29,824	20
Advocate Lutheran General Hospital	Park Ridge	9.1	35	53,318	36	53,225	36

In response to this criterion the Applicant stated "*The proposed project is limited to the addition of orthopedic surgery as a service to be provided at an established ASTC, and because orthopedic surgery is a commonly-provided service, the conditions identified in Section 1110.235.c.6 cannot be met. Taking into account the definition of a GSA, the inability to meet the conditions of this section would likely hold true for any location in the State of Illinois, where orthopedic surgery services were proposed to be added to an existing ASTC.*"

The Applicant stated *service access will be improved with the addition of this specialty. Accessibility is compromised both as a result of patients' financial limitations as well as language barriers. This ASTC 1) treats a higher percentage of Medicaid recipients than other area ASTCs, 2) treats a higher percentage of "charity care" patients than other area ASTCs, 3) provides a significant level of discounted care for uninsured individuals, 4) is a primary provider of services to the large Russian and Eastern European populations living in the northwest suburbs and beyond, and 4) routinely provides late-in-the-day and weekend services to patients unable to miss work.*

In additional information furnished by the Applicant the ASTC participates in these five Medicaid Programs.

- Illinicare
- BCBSIL Community Family Health plan
- BCBSIL Community MMAI (Medicare-Medicaid Alignment Initiative Plan)
- IPA Medicaid (Illinois public Aid plan)
- Meridian Health

TABLE SIX
Medicaid Revenue and Charity Care Expense
2017 & 2018 (1)

		2017		2018	
Facility	City	Medicaid	Charity Care	Medicaid	Charity Care
Associated Surgery Ctr.	Arlington Heights	0.00%	2.00%	2.50%	2.00%
Northwest Community Day Surgery	Arlington Heights	2.50%	1.00%	2.50%	1.00%
Northwest Surgicare	Arlington Heights	0.10%	0.00%	0.10%	0.00%
Golf Surgical Center	Des Plaines	0.00%	0.00%	0.00%	0.00%

1. Information taken from IDPH 2017-2018 Profile Information

The Applicant is required to meet one of the four conditions of this criterion. The Applicant not met the requirements of this criterion.

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

E) Criterion 1110.235 (c) (7) - Unnecessary Duplication/Maldistribution

A) ***The applicant shall 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 shall document that the project will not result in mal-distribution of services. Maldistribution 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 the project that are below the utilization standard specified in 77 Ill. Adm. Code 1100; or

iii) insufficient population to provide the volume or caseload necessary to utilize the surgical/treatment rooms proposed by the project at or above utilization standards specified in 77 Ill. Adm. Code 1100.

C) ***The applicant shall document that, within 24 months after project completion, the proposed project:***

i) will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and

ii) 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.

As identified in the table above there are three ASTCs and one hospital in the 10-mile GSA that have available capacity to accommodate the demand identified by this project.

The population in the GSA as identified by the Applicant is 900,723 residents. There are 119 operating/procedure rooms in the 10-mile GSA. The ratio of operating/procedure rooms is .1321 rooms per thousand population in the 10-mile GSA. The population in the State of Illinois is 12,802,000 (2017 estimated) and the number of operating/procedure rooms is 2,505 (2017). The ratio of operating/procedure rooms per 1,000 population is .1956 rooms per thousand population. Based upon this comparison, there is not a surplus of operating/procedure rooms in this 10-mile GSA.

In response to this criterion the Applicant stated "*The proposed project will not result in unnecessary duplication or a mal-distribution of services, as the project does not involve the establishment of a new facility, or the addition of operating rooms or procedure rooms.*"

The State Board Staff cannot find evidence to support adding this surgical procedure when existing hospitals and ASTC currently provide this surgical specialty and have the capacity to accommodate additional orthopedic surgical cases. The Applicant has not met this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION (77 ILAC 1110.235 (c) (7))

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

A) Staffing Availability

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that the staffing requirements of licensure and The Joint Commission or other nationally recognized accrediting bodies can be met. In addition, the applicant shall document that necessary staffing is available by providing letters 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.

In response to this criterion the Applicant stated *"Associated Surgical Center is an operating, licensed ASTC, fully staffed, and in compliance with relevant clinical and professional staffing requirements, including those required by for IDPH licensure. In evaluating the potential of adding orthopedic surgery as an additional service to be provided at the ASTC, the applicant determined that additional staffing would not be required. Dr. Yelena Levitin will continue to serve in her role as Medical Director of the ASTC."*

The Applicant is an existing facility that has staff in place to meet the requirements of this criterion.

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

G) 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 shall 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).

The Applicant provided the following
"With the signature placed on the Certification page of this Application for Permit, the Applicant attests that the charges associated with orthopedic surgery services, and as identified will not increase for, at minimum, two years following the receipt of the Certificate of Need Permit associated with this Application for Permit."

The Applicant has met the requirements of this criterion. See pages 64-66 of the Application for Permit.

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

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

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

No assurance was provided by the Applicant that the facility will be at target occupancy by February 2022. The State Board Staff is not able to make a positive finding regarding this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION ASSURANCES (77 ILAC 1110.235 (c) (10))

Financial Viability

A) Criterion 1120.120 - Availability of Funds

The Applicant must document that that financial resources will be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The ASTC is a going concern and had revenue of approximately $990,000 in 2018 (unaudited 2018 Information). The funding for this project will be funded through accumulated reserves or owner's equity.

TABLE SEVEN
Associated Surgical Center
2018 Unaudited Financial Information

Revenue	$989,883	Cash	$157,459
Operating Exp	$897,602	PPE (net) [1]	$101,306
Operating Income	$92,281	Total Assets	$258,765
Interest Exp	$1,645	Current Liabilities	$21,643
Income	$90,636	LT Debt	$186,643
		Equity	$50,478
		Debt + Equity	$258,765

1. Property Plant and Equipment Net of depreciation

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

B) Criterion 1120.130 – Financial Viability

Applicants that are responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and

for the first full fiscal year at target utilization, but no more than two years following project completion

The Applicant has qualified for the financial waiver since funding for this project will come from internal sources.

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

Economic Feasibility

A) Criterion 1120.140 (a) – Reasonableness of Financing Arrangements
B) Criterion 1120.140 (b) – Terms of Debt Financing

The project does not involve debt financing.

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

C) Criterion 1120.140 (c) – Reasonableness of Project Costs
To demonstrate compliance with this criterion an Applicant must document that the project costs are reasonable.

Consulting and other fees are $40,000. The State Board does not have a standard for these costs.

Movable Equipment costs are $80,800. The State Board Standard is $489,745.

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

D) Criterion 1120.140 (d) – Direct Operating Costs
To demonstrate compliance with this criterion an Applicant must provide 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.

Total Operating Costs	$267,646
Number of Cases	274
Direct Costs per Case	$976.81

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION DIRECT OPERATING COSTS (77 ILAC 1120.140 (d))

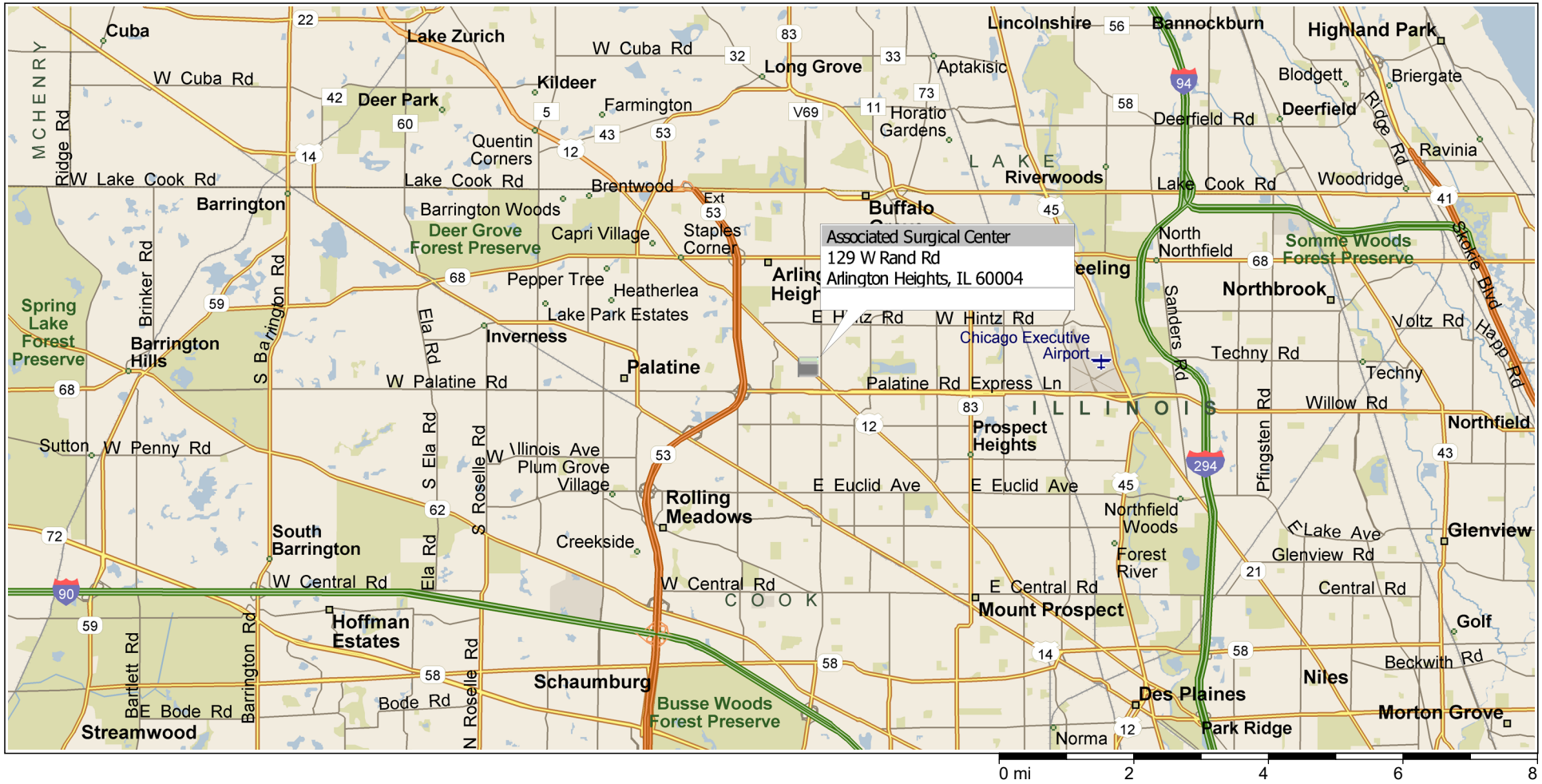
E) Criterion 1120.140 (e) - The Effect of the Project on Capital Costs

To demonstrate compliance with this criterion an Applicant must provide 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.

Total Capital Costs	$16,942
Procedures	274
Capital Costs per case	$61.83

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION THE EFFECT OF THE PROJECT ON CAPITAL COSTS (77 ILAC 1120.140 (e))

19-054 Associated Surgical Center - Arlington Heights



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