STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 •(217) 782-3516 FAX: (217) 785-4111

DOCKET NO: H-04	BOARD MEETING: June 30, 2020	PROJECT NO: 20-012	PROJECT COST: Original: $7,994,907
FACILITY NAME: Lincoln Park Gastroenterology Center		CITY: Chicago	
TYPE OF PROJECT: Substantive			HSA: VI

DESCRIPTION: The Applicants (PCAC GI JV LLC, Presence Chicago Hospitals Network, and Ascension Health) are proposing the establishment of a single specialty ASTC at 331 West Surf Street, Chicago, Illinois on the campus of Presence St. Joseph Hospital - Chicago. The cost of the project is $7,994,907 and the expected completion date is October 31, 2021.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (PCAC GI JV LLC, Presence Chicago Hospitals Network, and Ascension Health) are proposing to establish a single specialty ASTC at 331 West Surf Street, Chicago, Illinois on the campus of Presence St. Joseph Hospital - Chicago. The new ASTC will contain four procedure rooms, fifteen pre/stage one recovery stations, and offer gastroenterology services exclusively. The cost of the project is $7,994,907 and the expected completion date is October 31, 2021.
- The 12,846 GSF facility will in modernized space (9,437 GSF clinical). The proposed ASTC will be located adjacent to the Presence St. Joseph Hospital, Chicago.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The Applicants proposes to establish a health care facility as defined by the Illinois Health Facilities Planning Act (20 ILCS 3960/3).
- 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]

PUBLIC HEARING/COMMENT:

- No public hearing was requested, and no letters of support or opposition were received.

SUMMARY

- When evaluating a proposed project by rule the State Board 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).
- The Applicants propose to develop an ASTC that will provide outpatient gastroenterology surgical services only to the neighborhoods surrounding Presence St. Joseph Hospital-Chicago. Presence St. Joseph Hospital-Chicago had previously used this space to perform hospital-based outpatient gastro procedures. If approved all the outpatient gastro procedures currently performed at Presence St. Joseph Hospital-Chicago and Presence Saint Francis Hospital-Evanston will be performed at the proposed ASTC. Presence Chicago Hospitals Network which owns both hospitals will own 51% of the proposed ASTC.
- State Board Staff Notes: The Centers for Medicare and Medicaid Services (CMS) has increased the number and type of procedures that are reimbursable when performed in an ASTC. Routine endoscopy procedures are moving from the hospital setting to ASTCs for two primary reasons: 1) the cost of performing the procedure in an ASTC is lower, and 2) efficiency for the physician. In addition, 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.
- The Applicants addressed a total of 23-criteria and failed to meet the following:

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
77 ILAC 1110.235 (c) (6) – Service Accessibility	The Applicants was unable to meet one of the four conditions required by this criterion. There are 14 hospitals and 13 ASTCs classified as underutilized in the service area. (see Table One of this report)

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
77 ILAC 1110.235 (c)(7) – Unnecessary Duplication/Maldistribution	Of the 19 ASTCs in the planning area, 13 (68.4%) are operating at the State standard of 1,500 hours per room. Of the 19 hospitals in the planning area, 14 (73.7%) are operating at the State standard of 1,500 hours per room. (see Table One of this report)

STATE BOARD STAFF REPORT
Project 20-012
Lincoln Park Gastroenterology Center

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	PCAC GI JV LLC, Presence Chicago Hospitals Network Ascension Health
Facility Name	Lincoln Park Gastroenterology Center
Location	331 West Surf Street, Suite 506, Chicago, Illinois
Permit Holder	PCAC GI JV, LLC
Operating Entity	PCAC GI JV, LLC
Owner of Site	Hammes Company
Total GSF	12,846 GSF
Application Received	February 11, 2020
Application Deemed Complete	February 18, 2020
Review Period Ends	June 17, 2020
Financial Commitment Date	May 19, 2021
Project Completion Date	October 31, 2021
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes
Expedited Review?	Yes

I. Project Description

The Applicants (PCAC GI JV LLC, Presence Chicago Hospitals Network, and Ascension Health) propose to establish a single-specialty ASTC located at 331 West Surf Street, Suite 506, Chicago, Illinois on the campus of Presence St. Joseph Hospital - Chicago. The cost of the project is $7,994,907 and the expected completion date is October 31, 2021.

II. Summary of Findings

A. State Board Staff finds the proposed project is **not** in conformance with the provisions of 77 ILAC 1110 (Part 1110).

B. State Board Staff finds the proposed project is in conformance with the provisions of 77 ILAC 1120 (Part 1120).

III. General Information

The Applicants are PCAC GI JV LLC, Presence Chicago Hospitals Network, and Ascension Health. Lincoln Park Gastroenterology Center will be licensed and operated by PCAC GI JV, LLC. The licensee is under the ownership/control of Presence Chicago Hospitals Network, which owns and operates AMITA Health St. Joseph Hospital-Chicago. Ascension Health retains ownership/control of Presence Chicago Hospitals Network. The Applicants will maintain majority interest in the ASTC and will offer up to 49% interest in the ASTC to gastroenterologists.

IV. Center for Medicare and Medicaid Services

The proposed ASTC will be Medicare and Medicaid certified. The Center for Medicare and Medicaid Services requires that an ASC must be certified and approved (IDPH Licensed) to enter into a written agreement with CMS.

Participation as an ASC is limited to any distinct entity that operates exclusively for providing surgical services to patients not requiring hospitalization and in which the expected duration of services would not exceed 24 hours following an admission. An unanticipated medical circumstance may arise that would require an ASC patient to stay in the ASC longer than 24 hours, but such situations should be rare.

The regulatory definition of an ASC does not allow the ASC and another entity, such as an adjacent physician's office, to mix functions and operations in a common space during concurrent or overlapping hours of operations. CMS does permit two different Medicare-participating ASCs to use the same physical space, so long as they are temporarily separated.

V. Health Service Area

The proposed ASTC will be in the HSA VI Health Service Area. The HSA VI Health Service Area consists of the City of Chicago. There are 19 hospitals and 19 licensed ASTCs in the 10-mile Service Area. According to the Applicants, only 9 hospitals and 4 ASTCs provide gastroenterological surgical services.

TABLE ONE
Facilities within the 10-mile GSA

ASTC/City/# of Rooms	Classification/ Distance	Utilization Hrs./State Standard?
Gold Coast Surgicenter, Chicago, 4 ORs	Multi/2.9	4,340/No
Surgery Ctr at 900 North Michigan, Chicago, 5 ORs, 2 Procedure	Multi/2.9	9,101/Yes
Western Diversey Surgical Ctr, Chicago, 2 ORs	Multi/2.9	942/No
River North Same Day Surgery, Chicago, 4 ORs	Multi/3.4	3,366/No
River North Ctr. For Reproductive Health, Chicago,	/3.6	N/A
Grand Avenue Surgical Center, Chicago, 3 ORs	Multi/3.7	585/No
Fullerton & Kimball Med & Surgical Ctr., Chicago, 2 ORs	Multi/4.3	1,091/No
Chicago Endoscopy Ctr. Chicago, 1 Procedure*	Limited/4.6	359/Yes
Fullerton Surgical Ctr., Chicago, 3 ORs	Multi/6.1	1,053/No
Peterson Medical Surgicenter, Chicago, 2 ORs	Multi/6.2	93/No
Novamed Surgery Ctr. Northshore, Chicago, 1 OR 1Procedure	Single/6.6	1,016/Yes
Rogers Park One Day Surgery Ctr. Chicago, 2 ORs 1 Procedure*	Limited/6.9	0/No
Lakeshore Surgery Center, Chicago, 2 ORs	Multi/7	1,429/No

TABLE ONE
Facilities within the 10-mile GSA

ASTC/City/# of Rooms	**Classification/ Distance**	**Utilization Hrs./State Standard?**
Six Corners Same Day Surgery, Chicago, 4 ORs 1 Procedure*	Multi/7.3	19/No
South Loop Endoscopy & Wellness Ctr., Chicago, 2 Procedure*	Single/7.7	1,986/Yes
Rush Surgicenter, Chicago, 4 ORs	Multi/7.9	9,029/Yes
Albany Medical Surgical Ctr., Chicago,	/7.9	N/A
North Shore Surgical Ctr., Lincolnwood, 3 ORs	Multi/8.9	3,182/Yes
Advanced Ambulatory Surgical Ctr., Chicago, 3 ORs	Multi/9.2	1,333\No
Hospital/City/# of Rooms	**Classification/Distance**	**Utilization/State Standard**
Presence St. Joseph Med. Ctr. Chicago 13 ORs 6 Procedure	.2	14,309/No
Advocate Illinois Masonic Med Ctr. Chicago, 18 ORs 10 Procedure	1	22,394/No
Thorek Memorial Hospital, Chicago 26 ORs 6 Procedure	1.9	1,655/No
Weiss Memorial Hospital, Chicago, 9 ORs	2.5	8,205/No
Lurie Children's Hospital, Chicago 21 ORs^	3.1	38,270/Yes
Northwestern Memorial Hospital, Chicago, 60 ORs, 21 Procedure	3.7	137,564/Yes
Methodist Hospital of Chicago, Chicago, 3 ORs 5 Procedure	4.1	1,634/No
Presence St. Elizabeth Hospital, Chicago, 5 ORs	4.4	289/No
Presence St. Mary's Hospital, Chicago, 8 ORs 5 Procedure	4.7	12,838/No
Norwegian American Hospital, Chicago, 5 ORs	5.6	2,564/No
Swedish Covenant Hospital, Chicago, 10 ORs, 4 Procedure	5.7	20,632/Yes
Presence St. Francis Hospital, Evanston, 11 ORs, 3 Procedure	7.6	10,505/No
Rush University Med. Ctr., Chicago, 33 ORs, 10 Procedure	7.8	78,641/Yes
Community First Med. Ctr., Chicago, ORs	7.8	5,757/No
Mercy Hospital & Med. Ctr. Chicago, 11 ORs 5 Procedure	8	13,092/No
Stroger Hospital Cook County, Chicago 20 ORs 11 Procedure	8.1	44,249/No
University of Illinois Hospital, Chicago 21 ORs 6 Procedure	8.3	53,169/Yes
Shriner's Children's Hospital, Elmwood Park, 4 ORs^	8.8	3,657/No
Mount Sinai Med Ctr. Chicago, 10 ORs 5 Procedure	9.5	13,832/No

^Service limited to Pediatric patients
Taken from 2018 ASTC Facility profiles
*Providing Endoscopy services

VI. Project Costs and Sources of Funds

The Applicants are funding the project with Cash/Securities totaling $1,721,829 and the Fair Market Value of the Lease in the amount of $6,273,078.

TABLE TWO
Project Costs and Sources of Funds

	Reviewable	Non-Reviewable	Total	% of Total
Pre-Planning Costs	$11,500	$4,000	$15,500	.2%
Site Preparation	$17,000	$6,000	$23,000	.3%
Modernization Contracts	$613,405	$204,540	$817,945	10.2%
Contingencies	$37,748	$13,636	$51,384	.6%
Architectural/Engineering Fees	$74,000	$25,000	$99,000	1.2%
Consulting & Other Fees	$308,000	$77,000	$385,000	4.8%
Movable or other Equipment (not in construction contracts	$247,500	$82,500	$330,000	4.1%
Fair Market Value of Leased Space and Equipment	$4,835,389	$1,437,689	$6,273,078	78.6%
Total Uses of Funds	$6,144,542	$1,850,365	$7,994,907	100.00%
Cash/Securities	$1,309,153	$412,676	$1,721,829	21.5%
Leases (fair market value)	$4,835,389	$1,437,689	$6,273,078	78.5%
Total Sources of Funds	$6,144,542	$1,850,365	$7,994,907	100.00%

1. The FMV of the leased space is $5,620,175, and the FMV of leased equipment is $652,903

VII. Section 1110.110 - Background of the Applicants, Purpose of Project, Safety Net Impact Statement, and Alternatives

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

To demonstrate compliance with this criterion the Applicants must document the qualifications, background, character and financial resources to adequately provide a proper service for the community and 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.

The Applicants are Ascension Health, Presence Chicago Hospitals Network, and PCAC, GI JV, LLC. Ascension Health is the parent corporate entity for AHS Midwest Region Health d/b/a AMITA Health. AMITA Health retains ownership interest in the following healthcare facilities:

- AMITA Health Adventist Medical Center Bolingbrook, HSA-09
- AMITA Health Adventist Medical Center Glen Oak, Glendale Heights, HSA-07
- AMITA Health Adventist Medical Center Hinsdale, HSA-07
- AMITA Health Adventist Medical Center LaGrange, HSA-07
- AMITA Alexian Brothers Medical Center Elk Grove Village, HSA-07
- AMITA St. Alexius Medical Center Hoffman Estates, HSA-07
- Alexian Brothers Behavioral Health Hospital Hoffman Estates, HSA-07
- Presence St. Mary of Nazareth Medical Center, Chicago, HSA-06
- Presence St. Elizabeth Hospital, Chicago, HSA-06
- Presence St. Joseph Hospital, Chicago, Chicago, HSA-06
- Presence St. Francis Hospital, Evanston, HSA-07
- Presence Resurrection Medical Center, Chicago, HSA-06
- Presence Holy Family Medical Center, Des Plaines, HSA-07
- Presence Mercy Medical Center, Aurora, HSA-08
- Presence St. Joseph Hospital, Elgin, HSA-08
- Presence St. Joseph Medical Center, Joliet, HSA-09
- Presence St. Mary's Hospital, Kankakee, HSA-09
- Presence Lakeshore Gastroenterology, Des Plaines, HSA-07
- Belmont/Harlem Surgery Center, Chicago, HSA-06

The Applicants attest that they have not been cited for any class A violations for the past three years before the filing of the Application for Permit. The Applicants is in Good Standing with the State of Illinois, at the time of filing of this Application for Permit. The site of the ASTC is in compliance with the Illinois Executive Order #2006-5, *"Construction Activities in Special Flood Hazard Area"*[1] and with the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420).[2]

[1] Illinois Executive Order #2006-5 requires State Agencies responsible for regulating or permitting development within Special Flood Hazard Areas shall take all steps within their authority to ensure that such development meets the requirements of Executive Order #2006-5.

[2] Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420) requires State Agencies or the recipients of its funds, permits or licenses shall consult with the Illinois Historic Preservation Agency to determine the documentation requirements necessary for identification and treatment of historic resources.

B) 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 Applicants note the that through their provision of gastroenterology procedures, the health and well being of the market area will be improved. This project is consistent with current delivery trends, which is to move gastroenterology procedures to a lower-cost ASTC setting. Their goal is to have the ASTC licensed and operational within 9 months after the approval of this application.

C) Criterion 1110.110 (c) – Safety Net Impact

All health care facilities, except for 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]

The Applicants note that based on the nature of their facility (gastroenterology), that they are not providers of safety net services, based on the elective nature of these procedures. The Applicants parent company, Ascension Health, provides safety net services through other subsidiary facilities, and understand the importance of becoming a valued member of the community.

The proposed project involves the establishment of a new ASTC, and no historical data exists regarding charity care or Medicaid provided in the three years prior to submittal of this application. However, the Applicants did provide projected charity care information from its parent entities (See Table Three). The Applicants also provided an anticipated payor mix (See Table Four).

TABLE THREE
Lincoln Park Gastroenterology Center
Charity and Medicaid Information
(Estimated)

	Year 1	Year 2	Year 3
Net Patient Revenue	$7,293,927	$9,904,643	$10,003,689
Charity Care (# of Patients)	74	99	99
Amount of Charity Care (Charges)	$111,000	$148,500	$148,500
Charity Care Cost	$74,000	$99,000	$99,000
% of Net Patient Revenue	1.01%	1.00%	0.99%
Medicaid			
	442	594	594
Medicaid Revenue	$221,000	$297,000	$297,000
% of Net Patient Revenue	3.03%	3.00%	2.97%

TABLE FOUR Anticipated Payor Mix Lincoln Park Gastroenterology	
Medicare	40%
Blue Cross	40%
Commercial/Managed Care	12%
Medicaid	6%
Charity Care	1%
Worker's Compensation	1%

D) Criterion 1110.110(c) – Alternatives to the Proposed Project

To demonstrate compliance with this criterion the Applicants 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 Applicants note that only one alternative was considered in relation to the proposed project:

1) **Similar Facility/Similar Management-Ownership Structure/Different Location**
The Applicants considered a similar facility with similar managerial and operational structure, just at a different location. The Applicants rejected this alternative, based on cost considerations associated with renovating a newly selected site, as opposed to performing minor renovations in an existing outpatient Endoscopy Center. The Applicants determined that new construction/renovation would cost approximately $285.00 per GSF, in opposition to the cost of $68 per GSF realized through the option chosen. This results in a difference from $2,998,000 for construction/contingencies to $869,300. Based on these cost savings, this alternative was rejected.

VIII. Project Scope and Size, Utilization and Assurance

A) Criterion 1110.120 (a) - Size of Project

To demonstrate compliance with this criterion the Applicant must document that 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;[3]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).

There is a total of 6,134 GSF of clinical space for the proposed four-suite ASTC, with fifteen Prep/Stage I recovery stations. The State Board Standard for a modernized ASTC containing identical stations 8,800 GSF. The State Board does not have a gross square footage standard for recovery stations located in an ASTC. The Applicants have met the requirements of this criterion.

[3] Staff Note: Should the State Board approve this project the entire gross square feet (4,275 GSF) will be licensed by the Illinois Department of Public Health and the certificate of need permit will be for the total gross square feet and total project costs.

TABLE FIVE Size of the Project				
	Proposed		State Standard	
Department	Rooms	GSF	GSF	Difference
Operating Room	4	6,134	8,800	(2,666)
Prep/Recovery Stations	15	3,303	0	0
TOTAL		9,437		

B) Criterion 1110.120 (b) – Projected Utilization

To demonstrate compliance with this criterion the Applicants must 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. All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit, except where noted in 77 Ill. Adm. Code 1100. [Part 1110 Appendix B]

The Applicants provided referral letters from 9 Gastroenterologists attesting to the provision of 9,836 outpatient gastroenterological procedures in the second year after project completion. The Applicants utilized an average case time experienced in Chicago area ASTCs that shows gastroenterology procedures requiring .68 hours, including prep and clean-up time, resulting in an estimated 6,688 hours of utilization. The Applicants can justify the four procedure rooms being requested.

C) Criterion 1110.120 (e) – Assurances

1) The Applicants representative who signs the CON application shall submit a signed and dated statement attesting to the Applicants' understanding that, by the end of the second year of operation after project completion, the Applicants will meet or exceed the utilization standards specified in Appendix B.

2) For shell space, the Applicants shall submit the following:

A) Verification that the Applicants will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at that time or the categories of service involved;

B) The anticipated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and

C) The estimated date when the shell space will be completed and placed into operation.

The Applicants provided the necessary attestations on page 111 of the Application for Permit

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT, PROJECT UTILIZATION AND ASSURANCE (77 ILAC 1110.120 (a) (b) (c))

IX. Non-Hospital Based Ambulatory Surgical Treatment Center Services

A) Criterion 1110.235 (b) (2) (A) (B) - Geographic Service Area Need

The Applicants shall document that the ASTC services and the number of surgical/treatment rooms to be established, added or expanded are necessary to serve the planning area's population, based on the following:

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.

There is no need formula for ASTCs or the number of surgical/treatment rooms in a GSA.

B) Service to Geographic Service Area Residents
The Applicants 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 Applicants 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 Applicants 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 Applicants note the proposed ASTC will provide gastroenterology services exclusively, serving the needs of the patient base in the GSA. The Applicants provided a list containing 87 zip codes and a population of 2,365,222 residents (application, p. 53-54), located within 10 miles of the proposed facility. Analysis of the nine referral letters provided show that 82.2% of the patients referred reside in one of the 87 zip codes that comprise the service area.

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

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

The Geographical Service Area for a heath care facility located in Cook County is a 10-mile radius containing 87 zip codes, and a population totaling 2,365,222 (77 ILAC 1130.510 (d)). The Applicants supplied referral information attesting that at least 50% the projected patients (8,085 patients 82.2%) are referrals to local facilities and came from within the 10-mile GSA. The Applicants have successfully addressed this criterion.

TABLE SIX
Physicians Historical Referrals for 2017/2018*

Hospital	City	Historic Referrals
Presence St. Francis Hospital O/P	Evanston	3,914
Presence St. Joseph Hospital O/P	Chicago	5,807
Presence St. Mary Hospital O/P	Chicago	1,775
Mercy Hospital & Med. Ctr. O/P	Chicago	400
Summit Surgicare	Summit	350
South Loop Endoscopy	Chicago	5,050
St. Mary Hospital O/P	Chicago	4,157
Total		21,453

* Per Physician Referral Letters pgs. 57-92

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SERVICE TO GSA RESIDENTS AND SERVICE DEMAND (77 ILAC 1110.235 (c) (2) (A)(B) and (3))

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

A) *The Applicants 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 Applicants 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 Applicants are proposing four operating rooms and are estimating the performance of 9,836 procedures two years after project completion. The Applicants are estimating .68 hours per procedure (9,836 x .68 = 6,688.5 hours), which serves as justification for four procedure rooms.

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

D) Criterion 1110.235 (6) - Service Accessibility

The proposed ASTC services being established or added are necessary to improve access for residents of the GSA. The Applicants 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 Applicants is proposing to establish an ASTC containing 4 procedure rooms, offering outpatient gastroenterology services in Chicago. The Applicants was unable to meet one of the four conditions identified above as there are 14 existing Hospitals, and 13 ASTCs in the 10-mile GSA that are classified as underutilized facilities in the GSA. The Applicants have not met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT <u>NOT</u> IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 ILAC 1110.235 (6))

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

A) The Applicants shall document that the project will not result in an unnecessary duplication. The Applicants 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 Applicants shall document that the project will not result in maldistribution 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 <u>exceeds one and one-half times the State average;</u>

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 Applicants 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.

Maldistribution

There is a total of 437 operating/procedure rooms in the 10-mile GSA. There are approximately 2,365,222 residents (2018 population estimate) in the 10-mile GSA. The ratio of operating/procedure rooms per 1,000 population is .1847 within this GSA [437 operating/procedure rooms ÷ (2,365,222/1,000 or 2,365.2) = .1847].

The State of Illinois population is 12,802,000 (2017 IDPH projected) and 2,712 operating procedure rooms (2018 data). The ratio of operating/procedure rooms per 1,000 population in the State of Illinois is .2118 To have a surplus of operating/procedure rooms within the 10-mile GSA the ratio of population to operating/procedure rooms must be 1.5 times the State of Illinois ratio or .2771 operating/procedure rooms per 1,000 population. There is a not a surplus of operating/ procedure rooms in the 10-mile GSA.

Hospitals and ASTCs within the Proposed GSA

There are 19 ASTCs and 19 hospitals within the 10-mile GSA. (see Table One). Of the 19 hospitals in the GSA, 14 (73.7%) are performing below the State standard of 1,500 hours per room. There are 19 ASTCs in the service area, of which, 13 (68.4%) are performing beneath the State standard.

The proposed ASTC will result in 4 procedure rooms being added to the 10-mile GSA. The proposed project will result in an unnecessary duplication of service. The Applicants have not successfully addressed this criterion.

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

F) Criterion 1110.235 (8) - Staffing

A) Staffing Availability

The Applicants 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 Applicants 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.

The Applicants attest that the Lincoln Park Gastroenterology Center will operate with sufficient staffing levels as required by applicable licensure. All physicians will be Board-certified, all clinicians will maintain acceptable accreditation/licensure requirements, and staffing for the proposed ASTC will occur two months prior to project completion. The Medical Director, Dr. Lawrence Gluskin, M.D. has provide a copy of his credentials.

Note: The Joint Commission and the Accreditation Association for Ambulatory Health Care[4] does not define the specific qualifications or number of staffs required for an ASTC. The Joint Commission generalizes that the staff be adequate in number with appropriate training and supervision. The Applicants have successfully addressed this criterion.

G) Criterion 1110.235 (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 Applicants 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 Applicants provided the maximum charges for two years following completion of the project on pages 110-111 of the application, along with certification that these charges will not increase for two years following project completion. The Applicants has successfully addressed this criterion.

H) Criterion 1110.235 (10) - Assurances

A) The Applicants 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 Applicants 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.

The Applicants have provided the required attestation at pages 112-118 of the Application for Permit that the proposed facility will operate a peer review program in accordance with the attached policy, and if the outcomes are not consistent with the standards established in this policy, a quality improvement plan will be implemented

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION STAFFING, CHARGE COMMITMENT AND ASSURANCES (77 ILAC 1110.235 (c) (8) (9) (10))

[4] Joint Commission on Accreditation of Healthcare Organizations. Standards for Ambulatory Care. Oakbrook Terrace, IL: Joint Commission Resources;

X. FINANCIAL VIABILITY

A) Criterion 1120.120 – Availability of Funds

Applicants shall document 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 enough financial resources

The Applicants is funding the project with the Fair Market Value of the Lease in the amount of $6,273,078, and cash/securities in the amount of $1,721,829. The Applicants provided proof of an Aa2 Bond Rating from Moody's Investors Service (application, p. 119), dated September 2019 for the parent Applicants, Ascension Health. The Applicants also provided consolidated financial statements (application p. 124), and the results are illustrated in Table Eight. The lease is an operating lease with a lease term of ten years, with a base rate of $46.00 per GSF, with 1% annual increases and one 5-year option for renewal at the current market rate.

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 unless the Applicants qualifies for the financial waiver.

a) Financial Viability Waiver

The Applicants is NOT required to submit financial viability ratios if:

1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or
HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.

2) the Applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA) or its equivalent; or
HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.

3) the Applicants provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

TABLE SEVEN
Ascension Health
Years ended June 2018, 2019
(in thousands)

	2018	2019
Cash	$850,958	$896,262
Current Assets	$5,513,790	$6,033,220
Total Assets	$38,527,612	$39,718,496
Current Liabilities	$5,388,491	$5,824,281
LTD	$7,123,611	$6,760,464
Total Liabilities	$15,409,855	$16,194,212
Net Patient Revenue	$21,665,860	$23,706,590
Total Revenues	$23,158,956	$25,322,807
Income from Operations	$104,761	$382,508
Net Income	$2,270,225	$1,021,848

Source: Ascension Audited Financial Statements, application pgs. 124-184

The Applicants supplied valid proof of an Aa2 Bond Rating, and audited financial statements attesting to their financial viability. At the conclusion of this report are projected income and balance sheet for **Lincoln Park Gastroenterology Center.**
The Applicants have successfully addressed this criterion.

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

XI. ECONOMIC VIABILITY

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

An Applicants must document the reasonableness of financing arrangements.

B) Criterion 1120.140 (b) – Terms of the Debt Financing

Applicants with projects involving debt financing shall 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 are less costly than constructing a new facility or purchasing new equipment.

The Applicants are funding the proposed project with cash and securities totaling $1,721,829, and the Fair Market Value of a Lease totaling $6,273,078, indicating the internal nature of funding for this project. The State Board considers leasing debt financing and the Applicants provided a letter of intent for the leasing of the space.

Terms of Lease

Sub Landlord	Presence Chicago Hospitals Network, d/b/a Presence Saint Joseph Hospital-Chicago
Initial Term	10 Years
Rent	$46 GSF with 1% annual increase
Option	1 Five year at FMV rental rate

STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA 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 Applicants shall document that the estimated project costs are reasonable.

By Statute only clinical costs (reviewable costs) are considered in evaluating the reasonableness of project costs. (20 ILCS 3960/3)

Preplanning Costs – These costs total 11,500, which is 1.3% of the modernization, contingencies, and equipment costs, totaling $898,653. This is in compliance with the State standard of 1.8%.

Site Preparation Costs - are $17,000 or 2.6% of modernization and contingency costs ($651,153). This appears reasonable when compared to the State Board Standard of 5.0%.

Modernization and Contingency Costs are $651,153 or $69.00 per GSF ($651,153/9,437 GSF = $69.00). This appears reasonable when compared to the State Board Standard of $330.18, the midpoint of construction (2020).

Contingency Costs/Modernization are $37,748 or 6.1% of modernization costs ($613,405). This appears reasonable when compared to the State Board Standard of 10%-15%.

Architectural and Engineering Costs/Modernization are $74,000 and are 11.4% of the modernization and contingency costs ($651,153). This appears reasonable when compared to the State Board Standard of the 8.36-12.56% %.

Consulting and Other Fees are $308,000. The State Board does not have a standard for these costs.

Movable and Other Equipment are $247,500. The State Board does not have a standard for these costs when applied to Medical Office Buildings.

Fair Market Value of Leased Space are $4,215,131. The State Board does not have a standard for these costs.

Fair Market Value of Leased Equipment are $620,258. The State Board does not have a standard for these costs.

The Applicants have met the requirements of this criterion.

STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 ILAC 1120.140(c)

D) Criterion 1120.140 (d) – Projected Operating Costs

The Applicants shall 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.

The Applicants has provided the projected costs per procedure of $457.09, should this project be approved**.** The State Board does not have a standard for this cost. The Applicants has successfully addressed this criterion

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

The Applicants shall 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.

The Applicants has provided the total effect of the project on capital costs per procedure of $21.65 should this project be approved**.** The State Board does not have a standard for this cost. The Applicants has successfully addressed this criterion.

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

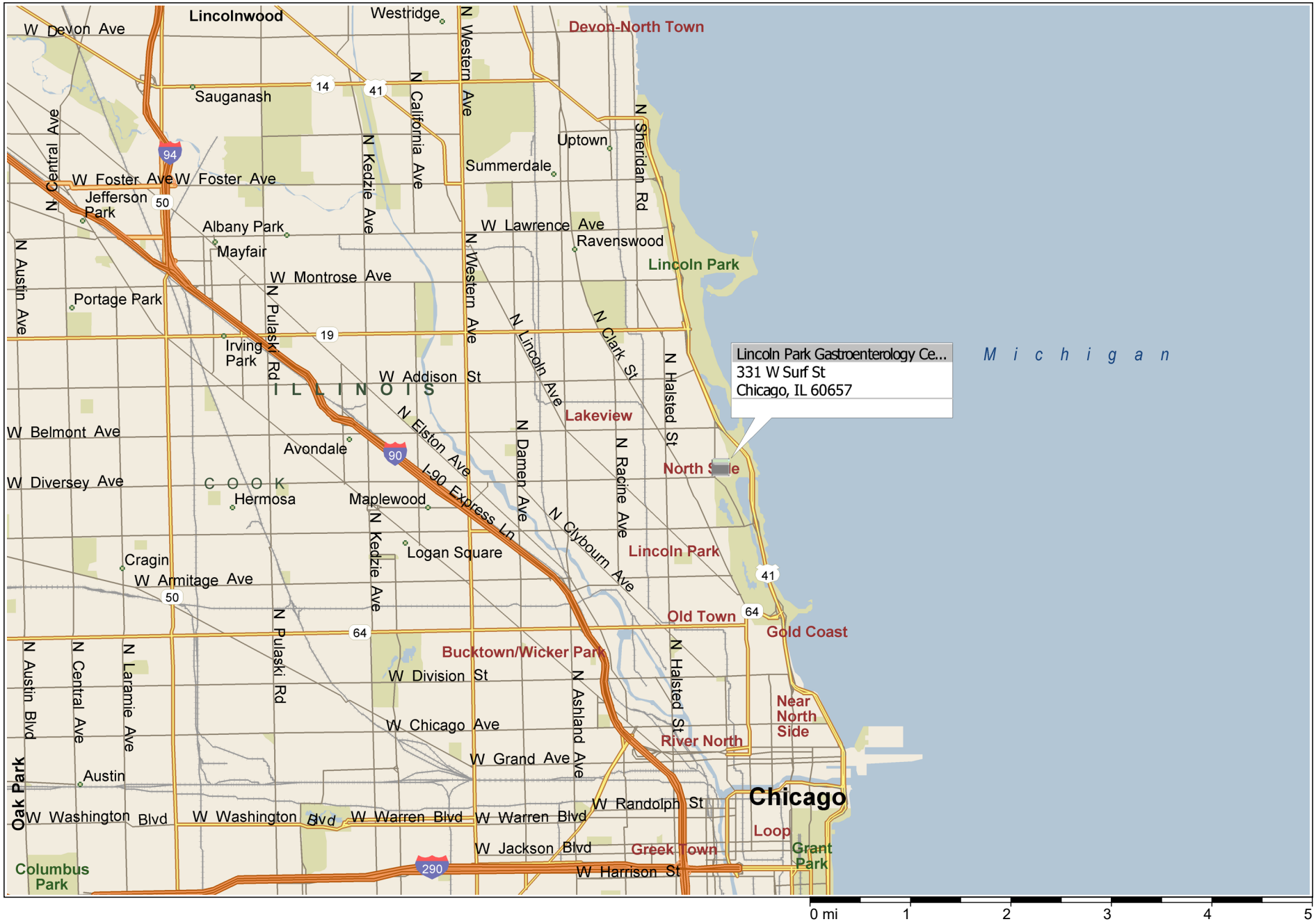
TABLE EIGHT
Lincoln Park Gastroenterology Center
Projected Income Statement

	Year 1	Year 2	Year 3
Income	$7,293,927	$9,904,643	$10,003,689
Procedure Volume	7,353	9,886	9,886
Total Income	$7,293,927	$9,904,643	$10,003,689
Expenses			
Salaries	$2,402,073	$2,937,136	$3,037,022
Repairs and Maintenance	$68,920	$95,441	$98,305
Management Fees	$424,507	$576,450	$582,215
Surgical Instruments/Supplies	$451,504	$622,702	$638,888
Billing & Collections	$364,696	$495,232	$500,184
Utilities	$307,034	$307,034	$307,034
Rent Expense	$537,188	$542,560	$547,985
Professional Fees	$50,000	$51,500	$53,045
Contracted Services	$28,428	$29,281	$30,159
Insurance	$30,000	$31,500	$33,075
Depreciation	$231,458	$231,458	$231,458
Employee Benefits	$540,466	$660,856	$683,330
General Admin	$25,000	$57,622	$74,585
Taxes and Licenses	$25,000	$27,500	$27,500
Interest Expense & Loan	$271,598	$303,357	$309,465
Bad Debt Expenses	$218,818	$297,139	$300,111
Other Expenses	$25,000	$30,000	$30,000
Total Expenses	$6,001,689	$7,296,768	$7,484,361
Net Income	$1,292,238	$2,607,875	$2,519,328

TABLE NINE
Lincoln Park Gastroenterology Center
Projected Balance Sheet

	Year 1	Year 2	Year 3
Current Assets			
Cash	$1,745,525	$2,084,859	$2,335,645
Other Current Assets	$399,600	$299,700	$199,800
Total Current Assets	$2,145,125	$2,384,559	$2,535,445
Fixed Assets			
Building	$5,975,316	$5,432,756	$4,884,771
Equipment	$843,800	$684,218	$524,576
Furnishing	$66,000	$52,800	$42,240
Total Fixed Assets	$6,885,176	$6,169,774	$5,451,587
Total Assets	$9,030,301	$8,554,333	$7,987,032
Liabilities			
Current Liabilities			
Account Payable	$845,917	$857,450	$869,298
Other Current Liabilities			
Total Current Liabilities	$845,917	$857,450	$869,298
Long term Liabilities			
Long term Debt	$6,635,688	$6,199,014	$5,762,340
Total Long-term Liabilities	$6,635,688	$6,199,014	$5,762,340
Total Liabilities	$7,481,605	$7,056,464	$6,631,638
Dividend Distributions	$1,500,000	$2,500,000	$250,000
Total Equity	$1,548,696	$1,497,868	$1,355,394

20-012 Lincoln Park Gastroenterology Center - Chicago



Copyright © and (P) 1988–2012 Microsoft Corporation and/or its suppliers. All rights reserved. http://www.microsoft.com/mappoint/
Certain mapping and direction data © 2012 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from Canadian authorities, including: © Her Majesty the Queen in Right of Canada, © Queen's Printer for Ontario. NAVTEQ and NAVTEQ ON BOARD are trademarks of NAVTEQ. © 2012 Tele Atlas North America, Inc. All rights reserved. Tele Atlas and Tele Atlas North America are trademarks of Tele Atlas, Inc. © 2012 by Applied Geographic Solutions. All rights reserved. Portions © Copyright 2012 by Woodall Publications Corp. All rights reserved.