



# STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

<b>DOCKET ITEM:</b> A-02	<b>BOARD MEETING:</b> October 26, 2021	<b>PROJECT NUMBER:</b> 16-038
<b>PERMIT HOLDERS(S):</b> Advocate Sherman Ambulatory Surgery Center, LLC, Advocate Sherman Hospital, Advocate Health Care Network, Evangelical Services Corporation, Surgical Care Affiliates Inc., Surgical Care Affiliates, LLC, SCA Surgery Holdings, LLC, SCA-Illinois, LLC, and Advocate-SCA Partners, LLC		
<b>FACILITY NAME and LOCATION:</b> Advocate Sherman Ambulatory Surgery Center, Elgin		

## STATE BOARD STAFF REPORT PERMIT RENEWAL REQUEST

### **I. Background**

On January 24, 2017, the State Board approved Project #16-038. The permit authorized the establishment of a multi-specialty Ambulatory Surgery Treatment Center (ASTC), in Elgin. The State Agency notes the project is obligated, and the current project completion date is September 30, 2021. Project cost: \$12,718,852.

State Board Staff notes the permit holders submitted a permit renewal request on September 30, 2021. This submittal was not in accordance with 77 IAC 1130.740(d), which states that the State Board must receive renewal requests at least 45 days prior to the permit expiration date. A \$500.00 permit renewal fee and a \$500.00 late fee accompanied the renewal request.

### **II. Findings**

State Board Staff notes this is the second renewal request for this project and the permit holders have submitted all of the information required in Section 1130.740 for a permit renewal.

The first renewal request was approved on March 5, 2019, and extended the project completion date 30 months, from March 31, 2019 to September 30, 2021.

### III. The Permit Renewal Request

- A. Requested Completion Date: The permit holders request a project completion date of January 31, 2022. This would extend the project's completion date four (4) months, from **September 30, 2021 to January 31, 2022.**
- B. Status of the Project and Components Yet to be Finished: The permit holders state the project is approximately 20% complete. Architectural plans have been submitted to IDPH, and have been approved. Pre-construction permitting work has commenced with the City of Elgin, A general contractor has been chosen and the procurement phase for subcontractors has begun.
- C. Reason(s) Why the Project Has Not Been Completed: The permit holders' state that major corporate mergers have occurred among both parties (Advocate Sherman Hospital and Surgical Care Affiliates), at parent-corporate levels resulted in diversion of resources to commit to the project. The permit holders expect to either apply for another permit renewal and submit a project alteration, or relinquish the existing permit, and reapply for a replacement permit by the end of this second permit renewal period (January 31, 2022).
- D. Evidence of Financial Commitment to Fund the Project: The permit holders indicate that \$615,806 (5% of the overall project cost of \$12,718,852) has been expended to date, and can attest to the existence of sufficient financial resources to complete the project.
- E. Anticipated Final Cost of the Project: The permit holders estimate the project will not deviate from the original permit amount of \$12,718,852.

### IV. Project Description & Other Background Information

The permit authorized the establishment of a multi-specialty ASTC in Elgin. Project cost: \$12,718,852.

Permit Issuance Date:	January 24, 2017
Project Obligation Date:	February 14, 2017
Original Project Completion Date: (Submittal of Final Cost Report)	March 31, 2019
Proposed Project Completion Date: (30-month renewal request, 1 <sup>st</sup> request)	September 30, 2021
Proposed Project Completion Date:	January 31, 2022

(4-month renewal request, 2<sup>nd</sup> request)

**V. Applicable Rules for Permit Renewal Requests**

77 IAC 1130.740 specifies that a permit holder may request a change in the approved project completion date by applying for a permit renewal.

77 IAC 1130.230(h)(5) states that failure to complete a project or to renew a permit within the prescribed timeframes will subject the permit holders to the sanctions and penalties provided in the Act and this Subpart.

77 IAC 1130.740(b) states that a permit renewal will commence on the expiration date of the original or renewed completion period.

77 IAC 1130.740(c) states that the State Board must be in receipt of a permit renewal request at least 45 days prior to the expiration date of the completion period, and include the following: 1) the requested completion date; 2) a status report on the project detailing what percent has been completed and a summary of project components yet to be finished and the amount of funds expended on the project to date; 3) a statement as to the reasons why the project has not been completed; and 4) confirmatory evidence by the permit holders' authorized representative that the project's costs and scope are in compliance with what the State Board approved and that sufficient financial resources are available to complete the project.

77 IAC 1130.740(d) states the State Board staff will review the request and prepare a report of its findings. If the findings are that the request is in conformance with all HFSRB criteria, and if this is the first request for this project, then the request, staff's findings, and all related documentation shall be sent to the Chairman. The Chairman, acting on behalf of HFSRB, will approve, deny or refer the request to the HFSRB for action. If staff finds that all criteria are not positive or, if this is not the first request for this project, or if the Chairman refers this to HFSRB for action, then HFSRB will evaluate the information submitted to determine if the project has proceeded with due diligence (as defined in 77 IAC 1130.140). Denial of a permit renewal request constitutes HFSRB's Notice of Intent to revoke a permit and the permit holders will be afforded an opportunity for an administrative hearing.

**VI. Other Information**

Appended to this report are the following: the permit holders' documents for a permit renewal and the annual progress report.

**Advocate Sherman Ambulatory Surgery Center  
Project No. 16-038**

September 29, 2021

Via Overnight Courier

Ms. Courtney Avery, Administrator  
Illinois Health Facilities and Services Review Board  
525 W. Jefferson Street - 2<sup>nd</sup> Floor  
Springfield, IL 62761

Re: Advocate Sherman Ambulatory Surgery Center, Project No. 16-038 (the Project)  
Request for Permit Renewal

Dear Ms. Avery:

We respectfully request a four month permit renewal for our Project referenced above. On January 24, 2017, the Illinois Health Facilities and Services Review Board granted the Applicants a permit to establish a multi-specialty surgery center on the Advocate Sherman Hospital campus in Elgin. We subsequently applied for and received a permit renewal September 30, 2021. We would like to renew our permit through January 31, 2022.

**Project Overview, Cost and Status**

From a construction perspective the Project is essentially in the same status as it was in at the time of filing of our most recent Annual Progress Report. The Project Costs also remain unchanged. Rather than repeat that information here we are attaching that Annual Progress Report.

**Explanation Requested Completion Date**

OrthoIllinois first filed an application to establish a four room ASTC in Elgin almost 15 months ago. Because that proposed project involved overlapping physician investors, physician referrals and is located nearby, that project would have considerable impact on the Advocate Sherman Surgery Center and decisions on how to proceed. We had expected the outcome of that OrthoIllinois project to have been resolved long before our permit was set to expire on September 30. We are requesting a four month renewal so that can adapt plans as necessary and then bring those plans back to you for you action. By January 31 we expect to return to you for one the following actions:

1. Permit Renewal and Project Alteration. If we proceed with the present permit we recognize that we would need to request an extended permit renewal to complete the Project. We would also need to seek a permit alteration to reflect significant cost increases since the Project was approved. We acknowledge that the present Project as approved cannot be constructed for the

approved amount, even if increased by 7%. Before seeking a permanent Permit Renewal we would need to determine if an altered project would be feasible within the Project Cost constraints.

2. Relinquish Permit and Apply for a Replacement Permit. Advocate remains committed to establishing a multi-specialty surgery center in collaboration with physicians in multiple specialties. Depending upon the outcome of the OrthoIllinois application or the project cost analysis discussed above, we may need to file application to relinquish our existing permit. If so, we would then relinquish and apply for a permit to establish a new surgery center adapted to the situation at that time.

### **Reasons for Delay**

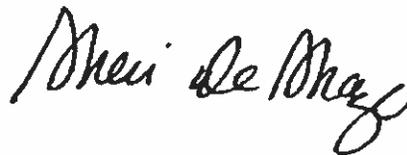
The original permit included as applicants a joint venture between affiliates of Surgical Care Affiliates and Advocate Health Care Systems. Since the permit was issued both SCA and Advocate Sherman Hospital have undergone major corporate mergers at the parent corporation level. Because of these mergers, we experienced a delay in the Project due to the diversion of various resources (time and otherwise). Advocate Health Care required time to engage in and integrate with Aurora Health Care. Advocate then acquired the controlling interest from SCA in a separate transaction approved by the Review Board. More recently, like many other facilities, COVID caused the Project to be put on hold. As discussed above, in the last 15 months the pendency of the OrthoIllinois project caused us to await the outcome of that project so that we could plan next steps accordingly.

Enclosed please find the required \$1,000 application fee. Please let me know of any questions on this material, or if additional information needs to be provided.

Thanking you in advance for your assistance.

Respectfully

Advocate Sherman Ambulatory Surgery Center, LLC



By: Sheri DeShazo  
President

Enclosures



3075 Highland Parkway, Suite 600 | Downers Grove, Illinois 60515 | (630) 572-9393 | [advocatehealth.com](http://advocatehealth.com)

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February 25, 2021

Via Electronic Mail and Fed Ex

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

Re: Project #16-038 Advocate Sherman Ambulatory Surgery Center (the “Project”)

### **Annual Progress Report**

Dear Ms. Avery,

In accordance with requirements of the 77 Ill. Adm. Code 1130.760, Advocate Sherman Ambulatory Surgery Center ( the “Surgery Center”) at 1445 N. Randall Road, Elgin, IL 60123, is submitting an annual progress report on the Project referenced above. This report is being sent in advance of the February 28, 2021 due date.

1. Current Status of the Project:

The Project is to establish a multi-specialty ASTC with three operating rooms. To date the work performed on the Project includes:

- Construction Design and Design architectural and engineering packages have been approved by the Illinois Department of Public Health.
- Work has been undertaken with the City of Elgin for permitting.
- The General Contractor has been engaged and begun pre-construction activities and has begun to procure subcontractors.

The Applicants have expended approximately \$615,806 as detailed on the attached Cost and Sources of Funds chart. We estimate that the Project is approximately 20% complete. In our prior Annual Progress Report, we had anticipated that construction on the shell and core would have begun in late 2020.

<b>Use of Funds</b>	<b>Incurred</b>	<b>In Permit</b>
<b>Preplanning Costs</b>	<b>\$84,207</b>	<b>\$85,500</b>
<b>Site Survey and Soil Investigation</b>		<b>\$9,500</b>
<b>Site Preparation</b>		<b>\$350,000</b>
<b>Off Site Work</b>		<b>\$0</b>
<b>New Construction Contracts</b>		<b>\$6,558,424</b>
<b>Modernization Contracts</b>		<b>\$0</b>
<b>Contingencies</b>		<b>\$606,659</b>
<b>Architectural/Engineering Fees</b>	<b>\$290,716</b>	<b>\$564,135</b>
<b>Consulting and Other Fees</b>	<b>\$125,612</b>	<b>\$315,469</b>
<b>Moveable or Other Equipment (not in Construction Contracts)</b>		<b>\$3,473,317</b>
<b>Bond Issuance Expense (project related)</b>		<b>\$37,550</b>
<b>Net Interest Expense During Construction (Project related)</b>		<b>\$335,000</b>
<b>Fair Market Value of Leased Space or Equipment</b>		<b>\$0</b>
<b>Other Costs To Be Capitalized</b>	<b>\$115,271</b>	<b>\$383,298</b>
<b>Acquisition of Building or Other Property (excluding land)</b>		<b>\$0</b>
<b>TOTAL USES OF FUNDS</b>	<b>\$615,806</b>	<b>\$12,718,852</b>

We acknowledge that the timeline has been delayed. As the Review Board well knows, COVID-19 has caused many providers to rethink their capital and strategic planning and timing. In addition, a physician group first filed a CON application on June 25, 2020 (since refiled) to construct a four-room facility just down the road from our hospital and proposed Project. That proposed application relies on some physician referrals that had been pledged for our Project. Approval of the pending proposed project would significantly impact our own Project.

2. Project Size and Scope:

The Project substantially conforms to the approved project size and scope and there has been no change in the form of financing for the Project. As we acknowledged above, however, the both the pandemic and the potential competing facility may necessitate further assessment of Project. We will consult with the State Board staff and if any changes are made will seek any approvals from the Review Board. We remain committed to partnering with our affiliated physicians to bring a surgery center to our patients and community.

3. Change in Post Permit Contact Person

Please change the Post Permit Contact on this Project from Drew Bell to me as the contact in future correspondence.

Ms. Courtney Avery, Administrator  
Illinois Health Facilities and Services Review Board  
Project No. 16-038  
February 25, 2021  
Page 3

Please contact me at 630.929.5577 if you have any questions about this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Nelson". The signature is fluid and cursive, with a large initial "S" and "N".

Scott Nelson, AIA, ACHA  
System Vice President, Design and Construction  
Advocate Aurora Health  
3075 Highland Parkway, Suite 600  
Downers Grove, IL 60515

SN/md