

Murer Consultants, Inc.



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July 16, 2012

Dale Galassie, Chairman
Illinois Health Facilities and Services Review Board
2nd Floor
525 West Jefferson Street
Springfield, Illinois 62761

RECEIVED

JUL 17 2012

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Re: Palos Hills Surgery Center, Request for Permit Renewal

Dear Chairman Galassie,

Please accept this letter requesting a renewal of the permit for Palos Hills Surgery Center (Project 11-095). This request is made pursuant to 77 Ill. Adm. Code § 1130.740.

Palos Hills Surgery Center's (PHSC) application for permit was approved by the Board on February 28, 2012, with an obligation date of August 28, 2012 and a project completion date of September 1, 2012. A subsequent, amended permit was issued on July 11, 2012 so as to reflect the correct obligation period of 18 months, per 77 Ill. Adm. Code § 1130.720(a), thus putting the project's current obligation date at August 28, 2013.

PHSC has proceeded with the project in all due diligence and in good faith. However, it has taken longer than expected to get the project approved and to move the project's architectural drawings from the schematics stage to the final working drawings.

Reasons for Seeking Renewal

First and foremost, it should be noted that the project completion date of September 1, 2012, as projected in the original CON application (submitted October 2011) was the best estimate for a completion date at that time. However, the application could not be placed on the agenda for the next Board meeting (December 2011) and received an Intent to Deny Letter at its first opportunity for a hearing (January 2012). PHSC subsequently received approval for the project at the Board's February 28, 2012 meeting.

Subsequent to receiving approval for the project on February 28, 2012, it became necessary to change architects from Matocha Associates to Anderson Mikos Architects, Ltd. At the same time, it was decided that the space could be used more efficiently. Given that the Certificate of Need process is designed to promote the efficient use of health care resources, **PHSC decided that it would be beneficial for patients and in keeping with the spirit of the CON rules to make alterations to the floor plan.**

The combined impact of a February approval and the redesign of the floor plan has left PHSC unable to meet the September 1, 2012 project completion date. We would note that this deadline is only three days after the obligation date (August 28, 2012) delineated in the Board's original approval letter, which was, as described above, mistakenly listed as occurring one year earlier than allowed by Board rules.

Requested Completion Date

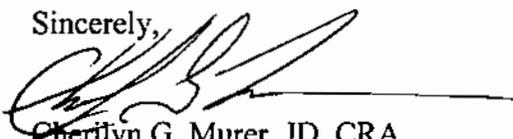
For the reasons stated above, PHSC respectfully requests a **new project completion date of September 15, 2013**. This would be in line with the time frame for construction as envisioned in the original application, and also takes into account the issues that have thus far delayed or potentially could delay the project from being completed in an expeditious manner. The extension would also allow PHSC to proceed with its due diligence, as evidenced by its submission of initial licensure documentation on July 13, 2012 and its planned start for construction of October 1, 2012.

PHSC would note that it intends to complete the project in advance of the revised completion date it is requesting. Specifically, it intends to finish construction on or about March 11, 2013. Furthermore, PHSC has been advised by IDPH's Division of Construction of Life Safety to allow 90 days for architectural and clinical surveys to be completed and for the license to be issued. From this, PHSC estimated that the project will be completed, per the definition in 77 Ill. Adm. Code § 1130.140, on or about June 15, 2013.

In order to allow for any unforeseen circumstances, and in light of the fact that the obligation date is not until August 28, 2013, PHSC added three months onto its timeline. It was felt that this would ensure PHSC would meet the completion date and would not have to request another permit renewal. For the reasons stated above, PHSC is requesting a new completion date of **September 15, 2013**.

Thank you for your consideration of this matter.

Sincerely,



Cheryl G. Murer, JD, CRA
President & CEO, Murer Consultants, Inc.

CC:

- Courtney Avery, Administrator, Health Facilities and Services Review Board
- Frank Urso, General Counsel, Health Facilities and Services Review Board
- Gary Kronen, M.D., Authorized Representative and Owner of Palos Hills Surgery Center
- Anton Fakhouri, M.D., Authorized Representative and Owner of Palos Hills Surgery Center
- Tom Hunt, MidAmerica Orthopedics, S.C.
- David Mikos, A.I.A., President & CEO, Anderson Mikos, Ltd.

Enclosures:

- Status Report
- Confirmation that Projects Costs and Scope Comply Project as Approved by Board
- Confirmation that Financial Resources are Available to Complete the Project
- Application Processing Fee

The other requirements for a permit renewal request delineated in 77 Ill. Adm. Code § and 1130.740(d), specifically a requested completion date and a statement as to the reasons why the project has not been completed are incorporated into this cover letter.

Palos Hills Surgery Center, LLC

July 13, 2012

Dale Galassie, Chairman
Illinois Health Facilities and Services Review Board
2nd Floor
525 West Jefferson Street
Springfield, Illinois 62761

Re: Confirmation of Financial Resources for Project # 11-095 for Request to Renew Permit

Dear Chairman Galassie,

Please accept this letter from the owners and authorized representatives of Palos Hills Surgery Center, LLC, confirming that this project's costs and scope are in compliance with the Board has approved and that this project has the financial resources necessary for successful completion. This confirmation letter is provided along with a request to renew the permit for the project in keeping with 77 Ill. Adm. Code § 1130.740(b) and in keeping with the direction of Board Staff.

Project's Costs and Scope

This request for a permit renewal was necessitated in part by the reconfiguration of the floor plan of the facility. However, this reconfiguration did not change the (1) square footage, (2) number of operating rooms or recovery stations, or (3) cost of the project. Indeed, the only change is that the architectural drawings have been updated by virtue of moving from the schematic stage to the final working stage.

The project has not been altered in (1) type of facility, (2) location, (3) gross square footage, (4) number or type of surgical specialties, or (5) ownership. We therefore believe that we remain in compliance, from a standpoint of cost and scope, with the Board's original approval.

Sufficiency of Financial Resources

The information as submitted in the original application (approved by the Board on February 28, 2012) relating to (1) Availability of Funds; (2) Financial Viability; and (3) Economic Feasibility is still valid. Palos Hills Surgery Center, LLC still has the ability to finance the project with the mixture of cash and debt as outlined in Section VIII of the Application. Furthermore, the viability ratio projections in Section IX remain unchanged. Lastly, the reasonableness and conditions of the necessary debt financing, per Section X, have not changed.

Palos Hills Surgery Center, LLC

Thank you for your attention in this matter.

Sincerely,



Gary Kronen, M.D.
Owner and Authorized Representative
Palos Hills Surgery Center, LLC



Anton Fakhouri, M.D.
Owner and Authorized Representative
Palos Hills Surgery Center, LLC

Status Report

Palos Hills Surgery Center (Project 11-095)

This status report for project #11-095, which is provided in accordance with 77 Ill. Adm. Code § 1130.740(d)(2), is being submitted by Murer Consultants on behalf of its client, Palos Hills Surgery Center. The report details (1) the percentage of the project that has thus far been completed; (2) the project components that have yet to be completed; and (3) the percentage of funds that have been disbursed.

Percentage of Project Completed

Palos Hills Surgery Center has completed steps necessary prior to the start of construction, pending approval of the architectural plans by the State. Construction permits will be obtained after such approval is received. It has also agreed to purchase a washer decontaminator, two (2) sterilizers, and surgical lights at a cost of \$140,000. Total equipment costs for the project will be \$481,408.40, as per the CON application. Other equipment has been identified, although no other purchase contracts have been signed at this time. PHSC has also redrawn the architectural plans to maximize the efficient use of space at the ASTC.

The various project components and their completion percentage are listed below:

Project Component	Percentage Completed
Pre-Construction (architectural submissions, permits)	100%
Equipment Purchases	29%
Construction	0%
Licensure Survey	0%

Components Yet to be Finished

Currently, the components of the project to be finished include:

- **Architectural Approval:** The floor plan was been submitted to IDPH's Division of Health Care Facilities and Programs for approval on July 12, 2012 - prior to this renewal request.
- **Construction:** Scheduled to commence October 1, 2012 and last for a period of 23 weeks with an anticipated end of construction in mid-March.
- **Equipment Purchase:** This is scheduled to happen in line with the schedule for the completion of construction. As noted above, PHSC has already agreed to purchase \$140,000 in equipment, although the money has not yet been disbursed.
- **Licensure:** PHSC plans to finish construction in early March 2013 and have survey and licensure completed as soon as possible thereafter.

To account for any delays in construction or licensure the applicants have requested a new Completion Date of September 15, 2013.

Amount of Funds Expended to Date

	Total Use of Funds per Application	Amount Expended as of July 13, 2012
Modernization Contracts	\$900,000.00	\$0.00
Architectural and Engineering Fees	\$90,000.00	\$42,000.00
Consultant and Other Fees	\$67,000.00	\$64,500.00
Contingencies	\$63,000.00	\$0.00
Fair Market Value of Leased Space	\$819,750.00	\$0.00
Movable or Other Equipment	\$481,408.40	\$0.00
TOTAL	\$2,421,128.40	\$106,500.00

PHSC has not yet expended any money directly related to construction or the purchase of equipment. Once construction starts, money will begin to be disbursed for the Modernization Contracts, Contingencies, and Equipment.

PHSC will also commence paying rent under its five year lease at the start of construction (scheduled to start October 1, 2012). At that time, it will start making monthly payments of \$13,662.50 toward the \$819,750 for Fair Market Value of Leased Space. Therefore, by the time construction is finished in March 2013 it will have spent \$81,975 in lease payments.

It should also be noted that the purchase of a heating and ventilation system will constitute a substantial portion of the funds for this project. Furthermore, this system will take sixteen (16) weeks to be delivered and installed. Given the expense, PHSC is unable to order this system until the architectural plans have been approved by the State.

Summary

PHSC has completed steps necessary before the start of construction. It has also entered into purchase agreements for some equipment. However, the bulk of the project involves the renovation to the existing space. This has not started for reasons explained in the cover letter to this submission. The current status of the project is such that PHSC will be able to complete the project in line with the requested completion date.

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PALOS HILLS SURGERY CENTER LLC
10330 S. ROBERTS RD.
PALOS HILLS, IL 60465

STANDARD BANK AND TRUST CO.
70-936-718

7-9-2012

PAY TO THE ORDER OF IDPH

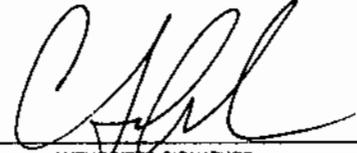
\$ 500.00

FIVE HUNDRED DOLLARS 00/100

DOLLARS

11-095

MEMO Application Processing Fee


AUTHORIZED SIGNATURE

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