

Roate, George

12-076

From: Donna Guth [donnag@groupaarch.com]
Sent: Wednesday, August 29, 2012 3:38 PM
To: Roate, George
Subject: Response to 8/28/12 E-Mail
Attachments: 082912.pdf

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

Importance: High

Mr. Roate –

Please see the attached response to your e-mail from yesterday and let me know what else you will need.

Thanks again for your help on this.

<<...>>

Donna L. Guth

Office Manager

Group A Architecture, Inc.

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For the application to be deemed complete, I need the following:

- 1) A revised section 1120.120 that shows the applicants intend to fund the project with \$1.5 million in cash and securities, and \$2 million in debt. The letter on page 208 attests to the applicant's intent to finance \$2 million dollars for the proposed project. The letter on Page 208 is from Citibank to Dr. Levitin confirming that once she applies for a loan for \$2,000,000.00, they will favorably review the application. In addition, the letter on Page 207 is from the CPA for Chicago Surgical Clinic confirming that they have \$1.5 million in bank accounts and investments that can be used for construction. What do you need in addition to these two letters?
- 2) Section 1120.130 containing data to address the Current Ratio, Net Margin Percentage, Percent Debt to Total Capitalization, Projected Debt Service Coverage, Days Cash on Hand, And Cushion Ratio, for three years prior (2011, 2010, 2009), and these projected figures for the first full year after project completion (2014). Page 51 of the application contains a table for entering these data, and has instructions included. See enclosed Application Page 51 along with Projected Balance Sheet for 12/31/14 and Projected Income Statement for 12/31/14 (Attachment 41)
- 3) Section 1120.140(a): A notarized statement attesting to the basis of borrowing (instructions on application, p. 52) See Attachment 42 (enclosed)
- 4) Section 1120.140(b): A notarized statement attesting to the conditions of debt financing (instructions on application, p. 52) See Attachment 42 (enclosed)
- 5) Section 1120.140(c): A breakdown of all project costs compared against the State standards outlined in section 1120 appendix A. STILL WORKING ON – WILL BE ABLE TO E-MAIL BY LATER TODAY 8/29 OR TOMORROW THE LATEST, 8/30.
- 6) Section 1120.140(d): Projected direct annual operating costs per patient day, or unit of service. Per Attachment 42, Appendix 1 (Page 213), we have broken down the costs to the patients per unit of service. What more is needed?

Per Attachment 42, Appendix 1 (Page 213a), we have broken down the direct costs to the facility per unit of service. What more is needed?
- 7) Section 1120.140(e): Total effect of project on capital costs, which is the total projected annual capital costs broken down per patient day. Which capital costs? Capital costs of building costs (capital expenditures)? Capital costs referring to financing (capital costs such as fees and/or interest)? Also, we are unclear on what "patient day" means.

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HEALTH FACILITIES & SERVICES REVIEW BOARD

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

APPLICATION FOR PERMIT- May 2010 Edition

IX. 1120.130 - Financial Viability

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided
APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is 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. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

| Provide Data for Projects Classified as: | Category A or Category B (last three years) | | | Category B (Projected) |
|--|---|--------|--------|------------------------|
| Enter Historical and/or Projected Years: | 2009 | 2010 | 2011 | 2014 |
| Current Ratio | 43.6:1 | 31.9:1 | 70.5:1 | 145:1 |
| Net Margin Percentage | 15.3% | 12.2% | 19% | 19.4% |
| Percent Debt to Total Capitalization | 0.056% | 1.07% | 4.51% | 37.45% |
| Projected Debt Service Coverage | 1.64 | 1.46 | 2.75 | 10.47 |
| Days Cash on Hand | 103.6 | 98 | 137 | 185 |
| Cushion Ratio | 2.5 | 2.74 | 4.37 | 6.4 |

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

The information provided above was prepared based on calculation criteria outlined on 77 IL Admin. Code, Section 1120, Appendix A combined with cash-basis financial information for Chicago Surgical Clinic Ltd. for 2009-2011, enclosed herewith. Please note, the only long-term debts are the amounts due the sole shareholder. For projected debt service calculations, principal plus interest payments are calculated at \$2,000,000.00 loan amount with 5% annual interest rate over 20 years equating monthly payments of \$13,195.00 or \$316,389.00 annually.

2. Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 41, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

CHICAGO SURGICAL CLINIC, LTD.

PROJECTED BALANCE SHEET FOR 12/31/2014

Chicago Surgical Clinic
Project Financials
December 31 2014

Balance Sheet

Assets

Cash 852,503
Accounts receivable 600,000
Current assets 1,452,503

Land 300,000
Building 3,050,000
Equipment 450,000
3,500,000
depreciation (165,000)
Net Fixed Assets 3,335,000

Total assets 5,147,503

Cash to balance
Estimated receivables (one month)
Net Income + depreciation - debt reduction on loan (\$76,000)

\$3.8 million approx from uses statement

See income statement

Liabilities and Members equity

Liabilities

Accounts payable 10,000
Loan 1,924,000
Total liabilities 1,934,000

estimated
2,000,000 less one plus year's paydown of \$76,000.

Members' equity

Paid in Capital 1,790,000
Retained earnings 1,423,503
Total Equity 3,213,503

Total 5,147,503

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

C H I C A G O S U R G I C A L C L I N I C , L T D .

PROJECTED INCOME STATEMENT FOR 12/31/2014

Chicago Surgical Clinic
Project Financials
December 31, 2014

Income Statement

| | | |
|------------------------|------------------|--|
| Revenue | 7,309,180 | See Schedule - Projected Operating Costs to the Patients |
| Operating Expenses | <u>5,629,000</u> | See Schedule - Projected direct Costs to the Facility |
| Operating Income | 1,680,180 | Subtraction |
| Other Income/(Expense) | | |
| Interest | (135,000) | (85% X 158,389 annual debt service) |
| Depreciation | (105,000) | \$3.5 million X 3% average depreciation rate |
| Illinois State Taxes | <u>(21,677)</u> | 1.5% of net items above |
| Net Income | <u>1,418,503</u> | |

ATTACHMENT 41

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

CHICAGO SURGICAL CLINIC, LTD.

August 29, 2012

Illinois Health Facilities and
Services Review Board
525 W. Jefferson St., 2nd Floor
Springfield, IL 62761

Re: REASONABLENESS OF FINANCING ARRANGEMENTS
Chicago Surgical Clinic, Ltd., ASTC, 129 W. Rand Rd., Arlington Heights, IL

Dear Sir or Madam:

I, Yelena Levitin, MD, FACS, am the sole owner and CEO of Chicago Surgical Clinic, Ltd. I certify under penalty of perjury that pursuant to Illinois Administration Code Section 1120.140 that the total estimated project costs and related costs will be funded in total or in part by borrowing because a portion or all of the cash and cash equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio (current assets divided by current liabilities) of at least 1:5.

The selected form of debt financing for the project will be at the lowest cost available. In addition, the project expenses only involve the cost of constructing tenant improvements for the existing facility which is less costly than constructing a new building to house the facility.

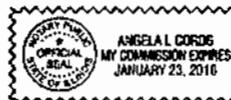
Sincerely,



Dr. Yelena Levitin, MD
Chicago Surgical Clinic, Ltd.

Subscribed and sworn to before me this 29th day of Aug., 2012.


Notary Public



ATTACHMENT 42

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

CHICAGO SURGICAL CLINIC, LTD.

PROJECTED OPERATING COSTS TO THE PATIENTS

| ENDOSCOPY | SURGICAL COST | FACILITY COST | TOTAL COST | TOTAL # OF PROCEDURES IN 12 MONTHS | TOTAL COST PER 12 MONTHS |
|-----------------|---------------|---------------|------------|------------------------------------|--------------------------|
| Upper endoscopy | 700.00 | 1,100.00 | 1,800.00 | 402 | 723,600.00 |
| Lower endoscopy | 700.00 | 1,100.00 | 1,800.00 | 576 | 1,036,800.00 |

| GENERAL PROCEDURES | SURGICAL COST | FACILITY COST | TOTAL COST | TOTAL # OF PROCEDURES IN 12 MONTHS | TOTAL COST PER 12 MONTHS |
|----------------------------|---------------|---------------|------------|------------------------------------|--------------------------|
| Lap hernia | 1,200.00 | 2,800.00 | 4,000.00 | 94 | 376,000.00 |
| Lap gallbladder | 1,500.00 | 2,800.00 | 4,300.00 | 327 | 1,406,100.00 |
| Lap band | 2,000.00 | 2,800.00 | 4,800.00 | 14 | 67,200.00 |
| Hemorrhoidectomy | 600.00 | 1,400.00 | 2,000.00 | 84 | 168,000.00 |
| Fistulotomy | 500.00 | 1,400.00 | 1,900.00 | 20 | 38,000.00 |
| Abscess drainage | 450.00 | 1,300.00 | 1,750.00 | 95 | 166,250.00 |
| Soft tissue tumor | 550.00 | 1,500.00 | 2,050.00 | 305 | 625,250.00 |
| Cutaneous lesion excision | 300.00 | 1,200.00 | 1,500.00 | 226 | 339,000.00 |
| Cutaneous lesion biopsy | 250.00 | 1,200.00 | 1,450.00 | 56 | 81,200.00 |
| Various breast procedures | 1,100.00 | 600.00 | 1,700.00 | 75 | 127,500.00 |
| Breast biopsy | 550.00 | 500.00 | 1,000.00 | 85 | 85,000.00 |
| Endocrine procedures | 1,200.00 | 2,700.00 | 3,900.00 | 35 | 136,500.00 |
| Various traumas | 600.00 | 1,500.00 | 2,100.00 | 40 | 84,000.00 |
| Various lacerations | 450.00 | 1,250.00 | 1,700.00 | 55 | 93,500.00 |
| Wound debridement | 100.00 | 150.00 | 250.00 | 202 | 50,500.00 |
| Foreign body removal | 300.00 | 900.00 | 1,200.00 | 42 | 50,400.00 |
| Perirectal abscess | 630.00 | 1,300.00 | 1,930.00 | 49 | 94,570.00 |
| Pilonidal cyst | 770.00 | 1,400.00 | 2,170.00 | 28 | 80,760.00 |
| Proctoscopy, anoscopy | 150.00 | 600.00 | 750.00 | 29 | 21,750.00 |
| IRC (infrared coagulation) | 280.00 | 500.00 | 780.00 | 35 | 27,300.00 |

| ORAL / MAXILLOFACIAL | SURGICAL COST | FACILITY COST | TOTAL COST | TOTAL # OF PROCEDURES IN 12 MONTHS | TOTAL COST PER 12 MONTHS |
|----------------------|---------------|---------------|------------|------------------------------------|--------------------------|
| Oral / maxillofacial | 2,800.00 | 3,000.00 | 5,800.00 | 250 | 1,450,000.00 |

TOTAL PROJECTED OPERATING COSTS TO THE PATIENTS = \$7,309,180.00

*Replacement
213*

ATTACHMENT 42
APPENDIX 1

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

CHICAGO SURGICAL CLINIC, LTD.

PROJECTED DIRECT COSTS TO THE FACILITY

| ENDOSCOPY | SURGICAL COST | FACILITY COST | TOTAL COST | TOTAL # OF PROCEDURES IN 12 MONTHS | TOTAL COST PER 12 MONTHS |
|-----------------|---------------|---------------|------------|------------------------------------|--------------------------|
| Upper endoscopy | 532.00 | 836.00 | 1,368.00 | 402 | 549,936.00 |
| Lower endoscopy | 532.00 | 836.00 | 1,368.00 | 576 | 787,968.00 |

| GENERAL PROCEDURES | SURGICAL COST | FACILITY COST | TOTAL COST | TOTAL # OF PROCEDURES IN 12 MONTHS | TOTAL COST PER 12 MONTHS |
|----------------------------|---------------|---------------|------------|------------------------------------|--------------------------|
| Lap hernia | 912.00 | 2,128.00 | 3,040.00 | 94 | 285,760.00 |
| Lap gallbladder | 1,140.00 | 2,128.00 | 3,268.00 | 327 | 1,058,636.00 |
| Lap band | 1,520.00 | 2,128.00 | 3,648.00 | 14 | 51,072.00 |
| Hemorrhoidectomy | 456.00 | 1,064.00 | 1,520.00 | 84 | 127,680.00 |
| Fistulectomy | 380.00 | 1,064.00 | 1,444.00 | 20 | 28,880.00 |
| Abscess drainage | 342.00 | 988.00 | 1,330.00 | 95 | 126,350.00 |
| Soft tissue tumor | 418.00 | 1,140.00 | 1,558.00 | 305 | 475,190.00 |
| Cutaneous lesion excision | 228.00 | 912.00 | 1,140.00 | 226 | 257,640.00 |
| Cutaneous lesion biopsy | 190.00 | 912.00 | 1,102.00 | 56 | 61,712.00 |
| Various breast procedures | 836.00 | 456.00 | 1,292.00 | 75 | 96,900.00 |
| Breast biopsy | 418.00 | 380.00 | 798.00 | 85 | 67,830.00 |
| Endocrine procedures | 912.00 | 2,052.00 | 2,964.00 | 35 | 103,740.00 |
| Various traumas | 456.00 | 1,140.00 | 1,596.00 | 40 | 63,840.00 |
| Various lacerations | 342.00 | 950.00 | 1,292.00 | 55 | 71,060.00 |
| Wound debridment | 76.00 | 114.00 | 190.00 | 202 | 38,380.00 |
| Foreign body removal | 228.00 | 684.00 | 912.00 | 42 | 38,304.00 |
| Perirectal abscess | 478.80 | 988.00 | 1,466.80 | 49 | 71,873.20 |
| Pilonidal cyst | 585.20 | 1,064.00 | 1,649.20 | 28 | 46,177.60 |
| Proctoscopy, anoscopy | 114.00 | 456.00 | 570.00 | 29 | 16,530.00 |
| IRC (infrared coagulation) | 212.80 | 380.00 | 592.80 | 35 | 20,748.00 |

| ORAL / MAXILLOFACIAL | SURGICAL COST | FACILITY COST | TOTAL COST | TOTAL # OF PROCEDURES IN 12 MONTHS | TOTAL COST PER 12 MONTHS |
|----------------------|---------------|---------------|------------|------------------------------------|--------------------------|
| Oral / maxillofacial | 2,300.00 | 2,372.00 | 4,672.00 | 250 | 1,168,000.00 |

TOTAL PROJECTED DIRECT COSTS TO THE FACILITY = \$5,624,000.00

213a

ATTACHMENT 42
APPENDIX 1

Roate, George

12-076

From: Donna Guth [donnag@groupaarch.com]
Sent: Wednesday, August 29, 2012 4:43 PM
To: Roate, George
Subject: Page 52
Attachments: Page 52.pdf

Importance: High

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

Mr. Roate –

Attached is our completed Page 52. Please let me know if you have any questions.

Thank you!

<<...>>

Donna L. Guth

Office Manager

Group A Architecture, Inc.

1100 Landmeier Rd., Ste. 202

Elk Grove Village, IL 60007

847.952.1100

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X. 1120.140 - Economic Feasibility

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This section is applicable to all projects subject to Part 1120.

HEALTH FACILITIES &
SERVICES REVIEW BOARD

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
 - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant 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.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

| COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE | | | | | | | | | | | |
|---|-------------------------|------------|----------------------|------------|-----------------------|------------|----------------------|--------------------|---|------------|-----------------------|
| Department (list below) | A | B | C | | D | E | | F | G | H | Total Cost (G + H) |
| | Cost/Square Foot New | Mod. | Gross Sq. Ft. New | Circ.* | Gross Sq. Ft. Mod. | Circ.* | Const. \$ (A x C) | Mod. \$ (B x E) | | | |
| Medical/Surgical | 202.21 | n/a | 7,700 | n/a | n/a | n/a | 1,557,000.00 | n/a | | n/a | 1,557,000.00 |
| Contingency | 58.44 | | | | | | 450,000.00 | | | | 450,000.00 |
| TOTALS | 260.65 | n/a | 7,700 | n/a | n/a | n/a | 2,007,000.00 | n/a | | n/a | 2,007,000.00 |

* Include the percentage (%) of space for circulation