



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-03	BOARD MEETING: June 21, 2016	PROJECT NO: 15-061	PROJECT COST: Original: \$1,693,651
FACILITY NAME: Southern Illinois Gastrointestinal Endoscopy Center		CITY: Carbondale	
TYPE OF PROJECT: Substantive			HSA: V

PROJECT DESCRIPTION: The applicants (Southern Illinois Gastrointestinal Endoscopy Center, LLC, Southern Illinois G. I. Specialists, LLC., and Dr. Zahoor Makhdoom) are proposing the establishment of a limited specialty ASTC in 3,222 GSF of leased space at a cost of approximately \$1,693,651 in Carbondale, Illinois. The anticipated completion date is December 31, 2017.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Southern Illinois Gastrointestinal Endoscopy Center, LLC, Southern Illinois G. I. Specialists, LLC and Dr. Zahoor Makhdoom) are proposing the establishment of a limited specialty ASTC in 3,222 GSF of leased space at a cost of approximately \$1,693,651 located in Carbondale, Illinois. The anticipated completion date is December 31, 2017.
- This project was modified on April 8, 2016. Dr. Zahoor Makhdoom was added as a coapplicant. This modification was a Type A Modification and a Notice of an Opportunity for a Public Hearing was required. [77 IAC 1130.650 – Modification of an Application for Permit]. No public hearing was requested as a result of this modification.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The proposed project is before the State Board because it proposes to establish a health care facility as defined by the Illinois Health Facilities Planning Act [20 ILCS 3960]

PURPOSE OF THE PROJECT :

- The purpose of the project is to establish a licensed limited specialty ASTC to provide gastro surgical procedures that are currently being provided in a physician office. The Illinois Department of Public Health does not license physicians' offices. The Illinois Department of Financial and Professional Regulation regulate a physician's practice through control of the physician's license. The State's medical and podiatry boards do not address setting when granting licenses.
- The applicant stated the following regarding the purpose of the project. *“The Applicant seeks to convert its existing physician-office based endoscopy practice to an ambulatory surgical treatment center (“ASTC”). Southern Illinois G.I. Specialists operates a medical practice exclusively providing gastroenterology care. As part of that practice, one of the ancillary services the medical practice provides is endoscopy services. Due to increased endoscopy volumes, Southern Illinois G.I. Specialists determined it must segregate the endoscopy care it provides into a separate clinic which is licensed as an ASTC. This is required because Illinois Department of Public Health (“IDPH”) rules place limits on offering ancillary surgical services in a medical practice setting and this application is required in order to conform with the requirements of the Illinois Ambulatory Surgical Treatment Center Act. The proposed Surgery Center will be limited to endoscopy (gastroenterology) services.”*
- The applicants argue that the proposed facility is necessary to be in compliance with the 77 IAC 205.110 that defines an ASTC as *“Any institution or building devoted primarily to the maintenance and operation of facilities for the performance of surgical procedures, as evidenced by use of the facilities by physicians, podiatrists or dentists in the performance of surgical procedures that constitutes more than 50 percent of the activities at that location.”* Activities are defined by the Illinois Department of Public Health as any visits, procedures, or surgery performed in a physician office. In other words a physician cannot perform surgical procedures that will constitute more than 50% of the activities [as defined by IDPH above] performed at that setting.
- The applicants are mistaken when they assume because of the language in rule [77 IAC 205.110] that the State Board must approve this project. One of the purposes of the Planning Act is *to promote, through the process of comprehensive health planning, the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities.* [20 ILCS 3960/2] In order to accomplish that purpose the State Board must consider the existing surgical capacity in the proposed geographical service area and whether or not the existing surgical capacity is sufficient to accommodate the procedures that are performed at this physician practice.

PUBLIC HEARING/PUBLIC COMMENT:

- No public hearing was requested. Letters of support were received from
 - US Representative Michael Post
 - Boys and Girls Club of Carbondale
 - Anna Jackson
 - Kenneth C. Starbuck
 - Three additional letters were received but were not signed and were not accepted.

- Those in support of the project stated that many of the gastrointestinal procedures can be performed safely in an office setting. Patients and their doctors should be given the right to decide the location for the endoscopic procedures, and cancer screenings that best meet their needs. Offering these services in an office based setting will lower expenses associated with these procedures and encourage patients to pursue screening earlier.
- **Two (2) letters** of opposition were received from Southern Illinois Healthcare. The letters stated that there are existing facilities in the service area operating below target occupancy indicating that an unnecessary duplication of services would result with the approval of this facility. The letters stated the number referrals provided to justify the establishment of the ASTC cannot be included in determining projected patient volume because they have been based on referrals to a physician office practice. Southern Illinois Healthcare questioned the size of the proposed ASTC, the lack of a transfer agreement with a hospital in the region, the proposed payor mix of the proposed facility, the number of procedures currently being performed in a non-licensed facility and the applicant's incorrect justification for the establishment of this facility based on the rapid population growth in the Geographic Service Area (GSA).”
- **Response from Applicants:** The applicants submitted a letter dated May 31, 2016 in response to Southern Illinois Healthcare concerns. The applicants stated that the application for permit to establish a limited specialty ASTC was filed to avoid any potential IDPH compliance issues. The applicants point out that the hospitals are a competitor as a health care provider and the physician should not be forced to work with a health system that would strip him of his patient base. The applicants also point out that hospitals are not appropriate settings for most endoscopic procedures.

STAFF COMMENTS:

- Board staff questioned the applicants about the size of the proposed ASTC and have had discussions with Illinois Department of Public Health. The Department would not give an opinion on the size of the proposed ASTC until such time as design drawings are submitted. Any changes to the size of an approved project would require State Board approval. From the information the applicants provided the proposed facility does meet the size requirements of the State Board.
- A transfer agreement with a hospital in the region would need to be in place before licensure is granted if this project should be approved. Board staff also questioned the applicants about the number of procedures performed by the one physician in the office based setting. Board staff was told *that Dr. Makhdoom is not the only professional rendering patient care and these other activities must be considered. Between Dr. Makhdoom and the physician extenders, they perform patient consults, capsule endoscopy virtual colonoscopy and hemorrhoid treatment. There are also activities performed by technicians (e.g., imaging and blood draws). Based upon surgical time associated with endoscopic procedures as well as the encounter data, endoscopy procedures do not currently constitute more than 50 percent of the practice's activities.*”

CONCLUSION:

- The Illinois Health Facilities Planning Act states “*Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.*” [Source: 20 ILCS 3960/2]. The Act defines "safety net services" as 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. [Source: 20 ILCS 3960/5.4]
- Prior experience has shown that ASTC's provide little care to Medicaid or Charity Care Patients. While the applicants state that it will accept Medicaid patients the amount of Medicaid services proposed by the applicants is below the amount of Medicaid services currently being provided in the forty five (45) minute geographical service area by existing providers. Approximately 18.7% of the existing ASTC's total net revenue in this forty five (45) minute service area is from Medicaid. The applicants are projecting 5% in Medicaid Revenue and no charity care. [See Table One and Table Two of the report]
- While Board staff do recognize that reimbursement by third party payors and Medicare for procedures performed in ambulatory surgical treatment centers are approximately 50-60% of the hospital based outpatient surgery reimbursements, one of the reasons for that is the elimination of the cost of non-payers and very little Medicaid.
- The State Board does not have a need methodology for this service. Need for this service is determined based upon the utilization of the existing hospital and ASTC's operating/procedure rooms in the proposed

geographical service area compared to the standard of 1,500 hours per surgical/procedure room annually. Currently there are forty five surgery/procedure rooms with a capacity of 67,500 hours in the proposed GSA currently operating at approximately 57% utilization [38,059] hours based upon 2014 information that was provided by the existing providers.

- The applicants addressed a total of 20 criteria and have not successfully addressed the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
Criterion 1110.1540 (d) (1) (2) - Service Demand	Sufficient surgical procedures were not performed in a licensed health care facility to justify the demand for the proposed facility. The majority [93%] of the procedures the applicants are proposing to be performed in the proposed facility are currently performed in an office based setting and by rule [77 IAC 1110.1540 (d) 2) D)] these procedures cannot be accepted as justification for the proposed facility.
Criterion 1110.1540 (f) – Treatment Room Need Assessment	The number of surgical procedures performed at a licensed health care facility does not justify the number of treatment rooms being requested. The applicants performed 462 procedures at licensed health care facilities over the past two years. This number of procedures will justify one [1] procedure room and not the two [2] procedure rooms being requested.
Criterion 1110.1540 (g) (1) (2) (3) (4) – Service Accessibility	The procedures performed by the applicants are currently available in the proposed GSA. There are existing licensed ASTC’s and hospitals within the proposed GSA that are currently operating at less than the target occupancy of 1,500 hours per operating /procedure room. Two hospitals within 10 minutes of the proposed facility has approximately 3,400 hours of surgery capacity available based upon 2014 information. [See Table Seven and Table Eight below]
Criterion 1110.1540 (h) (1) (2) (3) – Unnecessary Duplication of Service / Mal-distribution of Service/Impact on Other Providers	There are existing licensed ASTC’s and hospitals within the proposed GSA that are currently operating at less than the target occupancy of 1,500 hours per operating /procedure room. Additionally, it appears that the proposed ASTC will have an impact on other underutilized providers in the proposed geographic service area.

STATE BOARD STAFF REPORT
Project #15-061
Southern Illinois Gastrointestinal Endoscopy Center

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Southern Illinois Gastrointestinal Endoscopy Center, LLC Southern Illinois G. I. Specialists, LLC and Dr. Zahoor Makhdoom
Facility Name	Southern Illinois Gastrointestinal Endoscopy Center
Location	1100 West Diann Drive, Carbondale, Illinois
Application Received	December 22, 2015
Application Deemed Complete	January 4, 2016
Permit Holder	Southern Illinois Gastrointestinal Endoscopy Center, LLC
Operating Entity	Southern Illinois Gastrointestinal Endoscopy Center, LLC
Owner of the Site	Southern Illinois G. I. Specialists, LLC
Gross Square Footage	3,222 GSF
Application Deemed Complete	January 4, 2016
Project Financial Commitment Date	June 21, 2017
Project Completion Date	December 31, 2017
Application Modified?	April 8, 2016
Additional Information Provided	May 17, 2016
Can Applicants Request Another Deferral?	No
Has the Application been extended by the State Board?	No

I. The Proposed Project

The applicants (Southern Illinois Gastrointestinal Endoscopy Center, LLC, Southern Illinois G. I. Specialists, LLC. and Dr. Zahoor Makhdoom) are proposing the establishment of a limited specialty ASTC in 3,222 GSF of leased space at a cost of approximately \$1,693,651 in Carbondale, Illinois. The anticipated completion date is December 31, 2017.

II. Summary of Findings

- A. The State Board Staff finds the proposed project does **not** appear to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are Southern Illinois Gastrointestinal Endoscopy Center, LLC, Southern Illinois G. I. Specialists, LLC and Dr. Zahoor Makhdoom. The two LLC's are owned one hundred percent (100%) by Zahoor A. Makhdoom, M.D. The proposed ASTC will be located at 1100 West Diann Drive in Carbondale, Illinois. The operating entity licensee will be Southern Illinois Gastrointestinal Endoscopy Center, LLC and the owner of the site is Southern Illinois G. I. Specialists, LLC. This is a substantive project subject to an 1110 and 1120 review.

Project obligation will occur after permit issuance. The applicants anticipate the payor mix will be similar to its affiliated practice, Southern Illinois GI Specialists, LLC.

TABLE ONE Projected Payor Mix For Proposed Facility	
Medicare	45%
Medicaid	5%
Private Insurance	40%
Self-Pay	10%
Supplemental information dated April 7, 2016	

The applicants stated that they will participate in the following programs.

- **Patient Assistance Program**

The applicants have committed to provide 5 free colonoscopy screenings per month for patients referred by Shawnee Health Service. Shawnee Health Care in Carbondale is a full service medical facility that provides primary medical care, including family medicine and internal medicine, preventive health services, addiction medicine, and chronic disease management for all ages.

- **Colonoscopy Assist Program.**

The applicants have stated that they will provide reduced cost colonoscopies through their Colonoscopy Assist Program. This program was designed to improve the colorectal cancer screening rates in Southern Illinois. It targets uninsured and underinsured patients, e.g., patients with high deductibles who could not otherwise afford a lifesaving colonoscopy. Under the Colonoscopy Assist Program, eligible patients can receive a colonoscopy for \$1,500.

- **Upper GI Endoscopy Assist Program**

Patients eligible for assistance under this program can receive an upper GI endoscopy for a flat rate of \$900. Like the Colonoscopy Assist Program, this is an all-inclusive rate and includes not only the physician fee, but sedation, polyp removal and pathology costs. Per the applicants last year, the applicants provided reduced cost endoscopic procedures to 228 people through these two vital programs, and that number is projected to increase in 2016. [Supplemental Information dated April 7, 2016]

IV. Forty Five (45) Minute Service Area

The applicants have identified the proposed GSA as including cities in Franklin, Jackson, Johnson, Perry, Randolph, Union, and Williamson Counties all within the HSA V Health Service Area. The Illinois Department of Public Health is projecting an increase in the population in this seven (7) county area from 2015-2025 of approximately 1%.

State/County	Census	Estimate	Projections			Growth
	April 1, 2010 ^[1]	2010 ^[2]	2015	2020	2025	2015-2025
Franklin	39,561	39,570	38,953	38,470	37,958	-2.55%
Jackson	60,218	60,355	61,025	62,031	62,818	2.94%
Johnson	12,582	12,611	13,039	13,489	13,889	6.52%
Perry	22,350	22,348	22,399	22,496	22,560	0.72%
Randolph	33,476	33,446	32,921	32,518	32,093	-2.52%
Union	17,808	17,768	17,556	17,357	17,130	-2.43%
Williamson	66,357	66,397	67,344	68,355	69,246	2.82%
	252,352	252,495	253,237	254,716	255,694	0.97%

1. Source: http://www.hfsrb.illinois.gov/hfsrb_reports.htm

2. Estimate and Projections are as of July 1st

Table Two identifies the hospitals and ASTC's within the forty five (45) minute geographical service area and Total Revenue, Medicaid and Medicare Revenue for each facility. In 2014 approximately 18.7% of the ASTC's net revenue was from Medicaid and there was little or no charity care. For Hospital's in 2014 approximately 12% of their net revenue was from Medicaid and approximately 2.4% charity care. As can be seen from Table One above the applicant is proposing five percent (5%) Medicaid and no charity care.

TABLE TWO

Facilities within the Proposed GSA Total Revenue, Medicare and Medicaid 2014

Facility	City	Total	Medicare		Medicaid		Charity	
		Net Revenue	Revenue	% of Total	Revenue	% of Total	Expense	% of Total
Carbondale Clinic Ambulatory Surgery Center	Carbondale	\$17,672,801	\$4,556,866	25.78%	\$4,360,047	24.67%	\$13,994	0.08%
Marion Healthcare Surgery Center	Marion	\$2,951,462	\$876,143	29.69%	\$383,585	13.00%	\$0	0.00%
Surgery Center of Southern Illinois	Marion	\$983,129	\$520,537	52.95%	\$67,700	6.89%	\$0	0.00%
Southern Illinois Orthopedic Center	Herrin	\$13,843,470	\$545,036	3.94%	\$1,465,160	10.58%	\$605.00	0.00%
Pain Care Surgery	Marion	\$897,216	\$237,882	26.51%	\$519,790	57.93%	\$0	0.00%
Total		\$36,348,078	\$6,736,464	18.53%	\$6,796,282	18.70%	\$14,599	0.04%
Facility	City	Total	Medicare		Medicaid		Charity	
		Net Revenue	Revenue	% of Total	Revenue	% of Total	Expense	% of Total
St. Joseph Memorial Hospital	Murphysboro	\$50,655,795	\$22,050,995	43.53%	\$4,450,442	8.79%	\$1,851,215	3.65%
Memorial Hospital Of Carbondale	Carbondale	\$226,369,855	\$70,001,705	30.92%	\$27,165,253	12.00%	\$7,737,002	3.42%
Marshall Browning Hospital	Du Quion	\$15,747,299	\$6,966,605	44.24%	\$3,250,242	20.64%	\$328,213	2.08%
Union County Hospital	Anna	\$24,753,684	\$7,156,810	28.91%	\$4,286,546	17.32%	\$37,912	0.15%
Herrin Hospital	Herrin	\$125,131,015	\$45,709,325	36.53%	\$9,249,463	7.39%	\$3,672,321	2.93%
Heartland Regional Medical Center	Marion	\$122,835,726	\$22,690,026	18.47%	\$19,831,811	16.14%	\$250,955	0.20%
Pinckneyville Community Hospital	Pinckneyville	\$18,250,641	\$9,035,521	49.51%	\$1,696,093	9.29%	\$217,696	1.19%
Total		\$583,744,015	\$183,610,987	31.45%	\$69,929,850	11.98%	\$14,095,314	2.41%

IV. Project Costs and Sources of Funds

The applicants are funding this project with a mortgage/line of credit of \$1,196,400 and FMV of a lease of \$497,251. The expected operating deficit start up costs is \$100,000.

TABLE THREE			
Project Costs and Sources of Funds			
Uses of Funds	Reviewable	Non reviewable	Total
Modernization	\$150,000	\$545,000	\$695,000
Contingencies	\$15,000	\$50,000	\$65,000
Consulting and Other Fees	\$0	\$35,000	\$35,000
Movable or Other Equipment	\$401,400	\$0	\$401,400
FMV of Leased Space	\$167,448	\$329,803	\$497,251
Total	\$733,848	\$959,803	\$1,693,651
Sources of Funds			
Mortgages/Line of Credit	\$566,400	\$630,000	\$1,196,400
Leases	\$167,448	\$329,803	\$497,251
Total	\$733,848	\$959,803	\$1,693,651
Source: [Application for Permit page 6-7]			

V. Purpose of the Project, Safety Net Impact Statement, Alternatives to the Proposed Project

A) Criterion 1110.230 (a) –Purpose of the Project

To determine if the project will provide health services that improve the health care or well-being of the market area population the applicant must identify the market area and the problems or issues that will be addressed with the proposed project.

To determine compliance with this criterion the applicants provided the following narrative in respect to the purpose of the project.

“The Applicant seeks to convert its existing physician-office based endoscopy practice to a licensed endoscopy center. Southern Illinois G.I. Specialists operates a medical practice exclusively providing gastroenterology care. As part of that practice, one of the ancillary services the medical practice provides is endoscopy services. Due to changing referral patterns under its direct access program, Southern Illinois G.I. Specialists' ratio of surgical to non-surgical procedures will increase thereby requiring it to segregate the endoscopy care it provides into a separate clinic which is licensed by IDPH. This is required because the Illinois Department of Public Health rules place limits on offering ancillary surgical services in a medical practice setting and this application is required in order to conform to the requirements of the Illinois Ambulatory Surgical Treatment Center Act.

The proposed Endoscopy Center will be limited to endoscopy (gastroenterology) services. As discussed below direct access improves patient screening for colorectal cancer, the Endoscopy Center is a lower cost alternative to hospital-

based care and the Applicant will make, consistent with the practice's past practice of accepting low-income patients, its services available to patients regardless of ability to pay and in coordination with the County Health Department.

One of the reasons endoscopy services have increased is because of the payment policies of the Center for Medicare and Medicaid Services, which now cover colorectal cancer screening as a preventative service. There are several barriers to effectively screening the population as a whole, despite expanded coverage. While from a public health perspective, there is still a long way to go to reach a more optimal screening rate, enhancing the availability of colonoscopy services and providing a non-hospital based option for such care is progress toward an important public health care goal and saves the government money in the short term and long-term (by avoiding far more expensive cancer care treatment). Only 25% of Medicare beneficiaries were screened for CRC between 1998 and 2004. A recent Centers for Disease Control report found 65 percent of Americans reported being up to-date on CRC screening - a rate significantly lower than the Healthy People 2020 target of 70.5 percent. Individuals who do not get CRC screened at all or as often as recommended include low income individuals, those with a lack of education and those without health insurance.

This project is needed to ensure Southern Illinois G.I. Specialists complies with IDPH requirements relating to the scope of care permitted for a gastroenterologist's medical practice and to improve access to colorectal cancer screening and other gastroenterology procedures to patients residing in Carbondale and the surrounding area. People and communities are unlikely to follow medically sound advice unless they have a trusting relationship with the provider giving it. Dr. Makhdoom nurtures strong relationships with his patients and believes they are most comfortable with the continuity of care provided when he is able to meet their colonoscopy and other endoscopy requirements on site at his Carbondale location.”

The goal of this project is to ensure the Southern Illinois G.I. Specialists does not exceed the scope of the surgical services it is permitted to provide under Section 205.110 of the Ambulatory Surgical Treatment Center Act (77 IAC 204.110) and to increase access to colonoscopy and other endoscopy services in a cost effective, high quality endoscopy center to patients residing in Carbondale and surrounding areas.” [Source Application for Permit pages 45-57]

B) Criterion 1110.230 (b) - Safety Net Impact Statement

To determine compliance with this criterion the applicants must document the proposed project will address the delivery of 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.

To address this criterion the applicants provided the following narrative:

“The Endoscopy Center will improve access to safety net services to the residents of Carbondale and surrounding areas. The Endoscopy Center will enroll in the Medicare and Medicaid programs. Typical of its affiliated medical practice, the Endoscopy Center projects 7%-8% of its endoscopy patients will be Medicaid beneficiaries. To improve CRC screening rates, the Endoscopy Center will offer its Colonoscopy Assist Program to uninsured patients. Patients who qualify for this program will receive a colonoscopy for a flat fee, which will include the physician's fee; facility fee, including nursing costs; sedation/anesthesia; pathology (lab) fees; and polyp removal. Finally, the Endoscopy Center will coordinate with the Jackson County Health Department to provide colonoscopies to low income patients.

The establishment of the Endoscopy Center will not impact the ability of other providers or other health care facilities to cross-subsidize safety net services. By establishing an endoscopy center in the same building as Southern Illinois G.I. Specialists, the Applicant's medical practice, the Endoscopy Center will achieve operational efficiencies that cannot be created at other hospitals and ASTCs due to limited scheduling slots and anesthesia services. While Dr. Makhdoom intends to continue providing the same level of care at the existing hospitals where he performs procedures, he recognizes that he can alleviate some of the burdens of the hospital by offering care to uninsured and indigent patients. The plan moving forward to enroll in Medicaid is consistent with the number of Medicaid patients the existing practice already serves. Additionally, the Southern Illinois Gastrointestinal Endoscopy Center intends to enroll in the Medicaid program and to work with various providers to facilitate referrals of Medicaid patients to the Endoscopy Center, so they may also experience the advantages of having surgical procedures performed in a high quality ASTC setting.”[Source: Application for Permit page 107]

C) Criterion 1110.230 (c) Alternatives to the Proposed Project

To determine if 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 must provide the alternatives considered.

To address this criterion the applicants provided a narrative that stated the following:

1. Continue to Perform Endoscopies as Part of the Southern Illinois G.I. Specialists Medical Practice

The applicants stated: *“Southern Illinois G.I. Specialists operates a medical practice providing exclusively gastroenterology care. As part of that practice, one of the ancillary services the medical practice provides is endoscopy services. Due to its endoscopy volumes, Southern Illinois G.I. Specialists has determined that it must segregate the endoscopy care that it provides into a separate clinic which is licensed as an ASTC. This is required because IDPH rules place limits on offering ancillary surgical services in a medical practice setting and this application is required in order to conform to the requirements of the Illinois Ambulatory Surgical Treatment Center Act. The proposed Endoscopy Center will be a limited to endoscopy services.”* No capital costs were identified for this alternative.

2. Utilize Existing ASTCs and Hospitals

The applicant considered utilizing existing ASTCs and Hospitals. According to the applicants this is not a viable option for several reasons. The applicants stated:

“These facilities cannot accommodate the volume of colonoscopies that Dr. Makhdoom can perform. As such, he would be forced to travel to several facilities using small scheduling blocks, which poses an inconvenience for both him and his patients. By establishing an endoscopy center in the same building as Southern Illinois G.I. Specialists, the Applicant's medical practice, the Endoscopy Center will achieve operational efficiencies that cannot be created at other hospitals and ambulatory surgery centers due to limited scheduling slots and anesthesia services. While Dr. Makhdoom intends to continue providing the same level of care at the existing hospitals where he performs procedures, he cannot increase services at this location without access to a dedicated anesthesiologist or nurse anesthetist. By having dedicated personnel to perform anesthesia, patients can be treated with reduced wait times, and Dr. Makhdoom can also consult with patients at the practice in between surgical procedures, which allows for more efficient use of his time. As the gastroenterologist shortage worsens, it is important to ensure the efficient use of existing gastroenterologists in order to also ensure adequate access to CRC screening.” No capital costs were identified for this alternative. [Source: Application for Permit page 58]

VI. Size of the Project, Projected Utilization, Assurances

A) Criterion 1110.234 (a) - Size of the Project

To determine if the size of the project meets the State Board Standards the applicants must provide the gross square feet per procedure room and recovery stations.

To demonstrate compliance the applicants documented a total of 1,085 GSF of space for the two (2) procedure rooms and seven (7) recovery stations. The State Board Standard is 1,600-2,200 GSF per procedure room and 180 GSF per recovery station or a total of 5,660 GSF. [Source: Section 1110 Appendix B] The size of the two procedure room and recovery stations is approximately twenty percent (20%) of the State Board Standard. While the applicants have met the requirements of the State Board the Board Staff historically does not see endoscopy facilities of this size.

The applicants stated:

“Prior to filing the CON application, the Applicants engaged a licensed architect familiar with the Illinois Department of Public Health (“IDPH”) ambulatory surgical treatment center (“ASTC”) code requirements. The architect confirmed the size of the procedure rooms and recovery stations would be compliant with IDPH requirements.” [Source Additional information received April 8, 2016]

TABLE FOUR				
Size of the Proposed Project				
Departments	# of Rooms	Proposed GSF	State Board Standard	
Procedure Rooms	2		1,600 GSF per Room to 2,200 GSF per room	4,400 GSF
Recovery Stations	7		180 GSF per Room	1,260 GSF
Total		1,085		5,660 GSF
Source: Application for Permit page 59				

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION SIZE OF THE PROJECT [77 IAC 1110.234 (a)]

B) Criterion 1110.234 (b) - Projected Utilization

To determine if the applicants have sufficient workload to justify the number of procedure rooms and recovery stations being requested the applicants must provide the projected number of procedures performed by the second year after project completion.

If the proposed project is approved the applicants are projecting three thousand seventy six (3,076) procedures in the first year of operation. At an average of forty three (43) minutes per procedure the applicants can justify the two (2) procedure rooms being requested.

$$43 \text{ minutes} \times 3,076 \text{ procedures} / 60 \text{ minutes} = 2,205 \text{ hours}$$

$$2,205 \text{ hours} / 1,500 \text{ hours} = 2 \text{ procedure rooms}$$

1. State Board Standard 1,500 hours per procedure room

Additionally the State Board rules [Section 1110 Appendix B] allow four (4) recovery stations per approved procedure room. The applicants are proposing seven (7) recovery stations; the number of procedure rooms that have been justified will allow for eight (8) recovery stations. [Application for Permit page 60]

From the documentation reviewed by the State Board Staff it does appear that the proposed facility will be at target occupancy within one year after the project is complete. [See Application for Permit page 60]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION PROJECT UTILIZATION [77 IAC 1110.234 (b)]

C) Criterion 1110.234 (e) - Assurances

To determine if the applicants will operate the proposed ASTC at 1,500 hours per procedure room two years after project completion and maintain that volume the State Board relies upon an attestation furnished by the applicants.

From the documentation reviewed by the Board Staff in the application for permit the necessary assurance that the proposed facility will be at target occupancy two years after project completion. [Application for Permit page 85]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION ASSURANCES [77 IAC 1110.234 (e)]

VII. Ambulatory Surgical Treatment Center

A) Criterion 1110.1540 (b) (1) (3) – Background of the Applicant

To determine if the applicants have the necessary background to own and operate a health care facility the applicants must provide:

1. A listing of all health care facilities owned and operated by the applicants.
2. A certified listing of any adverse action taken against any health care facility owned or operated by the applicants.
3. A listing of each member of the LLC that owns more than 5% of the proposed licensed entity.
4. Authorization from the applicants to allow the Illinois Department of Public Health and the Illinois Health Facilities and Services Review Board to access any all information to verify information in the application for permit.

The applicants [Southern Illinois Gastrointestinal Endoscopy Center, LLC Southern Illinois G.I. Specialists, LLC and Dr. Zahoor Makhdoom] do not own any other health care facility as defined by the Illinois Health Facilities Planning Act. Dr. Zahoor Makhdoom is a licensed physician and surgeon and has never been disciplined by the Illinois Department of Professional Regulation. [Illinois Department of Professional Regulation website <https://www.idfpr.com>]

The site of the proposed Endoscopy Center complies with the requirements of Illinois Executive Order #2006-5. Additionally the proposed site is in compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.) that no historic, architectural or archaeological sites exist within the project area. Southern Illinois Gastrointestinal Endoscopy Center, LLC and Southern Illinois G.I. Specialists, LLC are domestic corporations in good standing with the State of Illinois.

The applicants have provided the necessary authorization to allow the Health Facilities and Services Review Board (“HFSRB”) and the Illinois Department of Public Health (“IDPH”) access to any documents necessary to verify information submitted as part of this application for permit and authorization to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION BACKGROUND OF THE APPLICANTS [77 IAC 1110.1540 (b) (1) (3)]

B) Criterion 1110.1540 (c) (1) (2) - Geographic Service Area Need

1. 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 77 Ill. Adm. Code 1110."
2. Service to Geographic Service Area Residents
To determine if the proposed project will provide service to residents of the geographic service area the Board Staff reviews the list of zip code areas that comprise the GSA. The GSA is defined as the area consisting of all zip code areas that are located within forty five minutes in all directions.

The geographic service area (GSA) is defined by the applicant and is as follows:

- East: Approximately 45 minutes normal travel time to Galatia
- Southeast: Approximately 45 minutes normal travel time to Ozark
- South: Approximately 45 minutes normal travel time to Dongola
- Southwest: Approximately 45 minutes normal travel time to Jonesboro
- West: Approximately 35 minutes normal travel time to Mississippi River
- Northwest: Approximately 45 minutes normal travel time to Steeleville
- North: Approximately 25 minutes normal travel time to Tamaroa
- Northeast Approximately 37 minutes normal travel time to Benton

The proposed GSA encompasses the following zip codes and communities.

Zip Code	City	Population	Zip Code	City	Population
62238	Cutler	696	62921	Colp	375
62272	Percy	1,674	62922	Cereal Springs	3,119
62274	Pinckneyville	8,410	62924	De Sota	2,809
62280	Rockwood	444	62926	Dongola	2,263
62812	Benton	11,265	62927	Dowell	367
62819	Buckner	448	62932	Elkfille	1,592
62822	Christopher	2,574	62933	Emery	1,230
62825	Coello	203	62939	Goreville	3,119
62832	Du Quoin	9,208	62940	Gorham	445
62841	Freeman Spur	98	62942	Grand Tower	707
62865	Mulkeytown	2,018	62948	Herrin	12,865
62874	Orient	372	62949	Hurst	810
62891	Valier	652	62950	Jacob	193
62896	West Frankfort	12,626	62951	Johnston City	5,352
62901	Carbondale	27,182	62952	Jonesboro	3,372
62902	Carbondale	4,531	62958	Makanda	2,262
62903	Carbondale	2,962	62959	Marion	26,948
62905	Alton Pass	677	62961	Millcreek	65
62906	Anna	7,276	62966	Murphysboro	15,607
62907	Ava	2,164	62974	Pittsburg	1,401
62912	Buncombe	1,179	62975	Pomona	279
62915	Cambria	321	62983	Royalton	1,504
62916	Campbell Hill	995	62997	Willsville	599
62918	Cartersville	9,793	62998	Wolflake	419
62920	Cobden	3,265	62999	Zeigler	1,829
62921	Colp	375	Total		200,564
Source Application for Permit pages 66-67					

- To determine if fifty percent (50%) of the admissions were from the GSA residents the applicants provided a list of zip codes and cases by zip code for the latest 12 month period for Southern Illinois G. I. Specialists, LLC (medical practice) and an applicant on this application for permit.

To demonstrate compliance with this requirement the applicants provided a list of zip codes and the population within the zip codes based upon the latest census data. Additionally a list of zip codes and the number of cases performed by the applicants over the latest 12 months from those zip codes was also provided. Based on the Board Staff's review of this information approximately ninety percent (90%) of the cases performed by the medical practice came from within the proposed GSA.

Based on the information reviewed in the application for permit the Board Staff concludes that residents of the GSA will have access to the services being proposed by the applicants. [Application for Permit 68-72]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION GEOGRAPHIC SERVICE AREA NEED [77 IAC 1110.1540 (c)]

C) Criterion 1110.1540 (d) (1) (2) - Service Demand – Establishment of an ASTC Facility

To determine if the proposed ASTC is necessary to accommodate the service demand experienced by the applicants evidence of the historical and projected physician referrals must be provided. As evidence of the historical and projected referrals the State Board requires physician referral letters. The referral letters must

- be referred to an existing IDPH licensed ASTC or hospital located in the GSA
- provide the patient origin by zip code of residence
- name and specialty of the referring physician
- name and location of the recipient hospital or ASTC
- number of referrals for the latest two years
- contain the notarized signature of the physician, the typed or printed name, the office address, and the specialty of the physician; and
- Verification by the physician that the patient referrals have not been used to support another pending or approved CON application

To demonstrate compliance with this criterion the applicants provided a physician referral letter that documented the number of cases referred to a licensed health care facility and the number of cases performed in an office based setting. [Application for Permit page 110]

As can be seen from Table Six below the majority (93%) of the historical volume is currently being performed in an office based setting by the applicants. The applicants are proposing to take this volume and provide these procedures in a limited specialty licensed ASTC.

By rule [77 IAC 1110.1540 (d) 2) D)] the Board Staff can only accept procedures performed in a licensed health care facility as justification for demand for the proposed ASTC. [77 IAC 205.110] defines an ASTC as “Any institution or building devoted primarily to the maintenance and operation of facilities for the performance of surgical procedures, as evidenced by use of the facilities by physicians, podiatrists or dentists in the performance of surgical procedures that constitutes more than 50 percent of the activities at that location.” An office based setting, that performs 50% or more of the activities at that office based setting as surgical procedures, is considered an unlicensed ASTC by the State of Illinois.

The Board Staff accepts the procedures performed at St. Joseph Memorial Hospital, Memorial Hospital of Carbondale, and Union County Hospital of Anna which total two hundred thirty one (231) procedures annually or 7% of the total annual volume.

Based upon the Board Staff’s review of the submitted materials related to referrals, the number of procedures are not sufficient to justify the establishment of a two (2) procedure room ASTC being proposed by the applicants.

TABLE SIX			
Historical and Projected Volume for Proposed Facility			
Facility	City	2-Year Current Volume	2-Year Projected Volume
Southern Illinois G. I. Specialists	Carbondale	6,153	6,153
St. Joseph Memorial Hospital	Murphysboro	373	0
Memorial Hospital of Carbondale	Carbondale	67	0
Union County Hospital	Anna	22	0
Total		6,615	6,153
Source: Application for Permit page 73			

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION SERVICE DEMAND [77 IAC 1110.1540 (d)]

D) Criterion 1110.1540 (f) - Treatment Room Need Assessment

To determine if the number of treatment rooms are necessary to accommodate the projected demand for the service the applicants must provide

- the number of cases performed at a licensed facility;
- the average time per case.

The applicants are proposing two (2) procedure rooms and seven (7) recovery stations. The applicants are estimating forty three (43) minutes per procedure and projecting three thousand seventy six (3,076) procedures annually in the first year of operation. Of those 3,076 procedures only 231 procedures can be accepted as justification for the number of treatment rooms proposed. If the proposed project is approved the number of projected procedures will not justify the number of treatment rooms being requested.

43 minutes x 231 procedures /60 minutes = 166 hours

166 hours/1,500 hours = 1 procedure rooms

1. State Board Standard 1,500 hours per procedure room

From the documentation submitted and reviewed by the Board Staff there are insufficient procedures to justify the two (2) procedure rooms being requested.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION TREATMENT ROOM NEED ASSESSMENT [77 IAC 1110.1540 (d)]

E) Criterion 1110.1540 (g) (1) (2) (3) - Service Accessibility

To determine if the proposed ASTC is necessary to improve access in the proposed GSA the applicants shall document that at **least one of** the following conditions exists in the GSA:

- 1) There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project;
- 2) 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;
- 3) 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;
- 4) The proposed project is a cooperative venture sponsored by two or more persons, at least one of which operates an existing hospital.

There are five (5) ASTC's within forty five (45) minutes of the proposed facility, two (2) of ASTC's [Southern Illinois Orthopedic, L.L.C. and Pain Care Surgery] perform one procedure and would require State Board approval to add gastro procedures.

There are two (2) ASTC's [HealthSouth Surgery Center of Southern Illinois and Marion Healthcare] that have excess capacity and can accommodate additional procedures. HealthSouth does not currently perform gastro procedures and can add gastro procedures without Board approval until 2018. The remaining ASTC, Carbondale Clinic Ambulatory Surgery Center, is currently at target occupancy.

There are seven (7) hospitals within forty five (45) minutes of the proposed facility. As can be seen by the table below six (6) of the hospitals have excess capacity that can accommodate additional surgical procedures. St. Joseph Hospital Murphysboro, Memorial Hospital of Carbondale, Marshall Browning Hospital, and Heartland Regional Medical Center provide gastro procedures.

Based on the information in Table Seven below, the Board Staff concludes that the proposed ASTC is not necessary to improve access for healthcare services within the proposed GSA.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY [77 IAC 1110.1540 (g) (1) (2) (3)]

TABLE SEVEN
Ambulatory Surgical Treatment Centers within 45 Minutes ⁽¹⁾

Name	City	Type	Time	OR's	Procedure Rooms	Hours		Met 1,500 hour Standard ⁽²⁾	
						OR's	Procedure Rooms	OR's	Procedure Rooms
Carbondale Clinic Amb. Surg. Ctr. ⁽⁴⁾	Carbondale	Multi	11	2	1	2,155	376	Yes	Yes
Marion Healthcare ⁽⁴⁾	Marion	Multi	25	3	1	2,023	501	No	Yes
Healthsouth Surgery Center Of Southern Illinois	Marion	Multi	27	2	0	697	0	No	NA
Southern Illinois Orthopedic, L.L.C	Herrin	Limited	19	Performs Only Orthopedic Surgeries					
Pain Care Surgery	Marion	Limited	21	Performs Only Pain Management Surgeries					

Hospitals within 45 Minutes

Name	City		Time	OR's	Procedure Rooms	Hours		Met 1,500 hour Standard ⁽²⁾	
						OR's	Procedure Rooms	OR's	Procedure Rooms
St. Joseph Memorial Hospital ⁽⁴⁾	Murphysboro		7	2	1	1,041	1,401	No	Yes
Memorial Hospital Of Carbondale ^{(3) (4)}	Carbondale		8	10	1	13,776	1,290	No	Yes
Marshall Browning Hospital ⁽⁴⁾	DuQuoin		26	2	1	152	223	No	Yes
Union County Hospital District	Anna		29	2	0	396	0	No	NA
Herrin Hospital ⁽⁴⁾	Herrin		29	4	2	6,515	3,024	Yes	Yes
Heartland Regional Medical Center ⁽⁴⁾	Marion		30	5	2	3,620	571	No	No
Pinckneyville Community Hospital	Pinckneyville		36	4	0	298	0	No	NA

1. Time determined by MapQuest
2. State Board Standard is 1,500 hours per operating and procedure room
3. State Board approved Memorial Hospital of Carbondale for ten (10) operating rooms as Permit #13-069.
4. Currently performs Gastro procedures

Source: Information taken from Map Quest and 2014 Hospital and ASTC Profile Information.

F) Criterion 1110.1540 (h) (1) (2) (3) - Unnecessary Duplication/Mal-distribution/ Impact on Other Providers

1. To determine if the proposed ASTC will result in an unnecessary duplication of service the applicants must provide the total population within the proposed GSA and 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.

Ambulatory Surgical Treatment Centers

From the Table above there are five (5) ASTC's in the proposed GSA. Of these five (5) ASTC's two (2) currently provide the procedures being proposed by the applicants:

1. Carbondale Clinic Ambulatory Surgical Center
2. Marion Healthcare.

Based upon the 2014 information Carbondale Clinic Ambulatory Surgical Center is currently operating at the State Board's target occupancy of 1,500 hours per operating /procedure rooms. Marion Healthcare has the capacity to accommodate additional procedures. HealthSouth Surgery Center of Southern Illinois has capacity to accommodate gastro procedures but based upon 2014 information does not currently perform gastro procedures. The remaining two (2) ASTC's are limited specialty ASTC's and would need approval from the State Board to add gastro procedures.

Hospitals

From the Table above there are seven (7) hospitals in the proposed GSA. Five (5) of the hospital currently perform gastro procedures

1. St. Joseph Hospital
2. Memorial Hospital of Carbondale
3. Marshall Browning Hospital
4. Herrin Hospital
5. Heartland Regional Medical Center

Based upon 2014 information four (4) of the hospitals are not operating at the target occupancy of 1,500 hours per operating/procedure rooms. Herrin Hospital is operating at target occupancy based upon the 2014 information.

1. St. Joseph Hospital
2. Memorial Hospital of Carbondale
3. Marshall Browning Hospital
4. Heartland Regional Medical Center

St. Joseph Hospital and Memorial Hospital of Carbondale are within ten (10) minutes of the proposed location of the ASTC. Based upon 2014 information there is 3,492 hours available for use at these two (2) hospitals. Using an average procedure time of forty three (43) minutes these two hospitals can accommodate approximately 4,800 procedures.

$$21,000 \text{ Hours Available} - 17,508 \text{ 2014 Total Hours Used} = 3,492 \text{ Hours Available}$$

$$3,492 \text{ Hours Available} \times 60 \text{ minutes} = 209,520 \text{ minutes} / 43 \text{ minutes average time for procedure} = 4,873 \text{ procedures}$$

TABLE EIGHT Hours Available								
Hospitals	City	Operating Rooms	Procedure Rooms	Total Hours Available	Operating Room Hours	Procedure Room Hours	2014 Total Hours Used	Hours Available
St. Joseph Memorial Hospital	Murphysboro	2	1	4,500	1,041	1,401	2,442	2,058
Memorial Hospital Of Carbondale	Carbondale	10	1	16,500	13,776	1,290	15,066	1,434
Total		12	2	21,000	14,817	2,691	17,508	3,492
1. Information taken from 2014 Hospital profile information								

- To determine if there is a surplus of operating/procedures rooms in the proposed GSA the applicants must document that the number of operating/procedure rooms per population are not 1.5 times the State of Illinois ratio.

The ratio of operating/procedure rooms to residents in the GSA is one (1) operating/procedure room for every 4,457 individuals in the GSA. The State of Illinois ratio is one (1) operating/procedure room for every 4,411 individuals.

The Board Staff concludes based upon the documentation submitted in the application and a review of the Inventory of Health Care Facilities and Services and Need Determinations that a surplus of operating/procedure rooms does not exist in the GSA.

TABLE NINE Operating Procedure Rooms per Population			
	Population	Operating Procedure Rooms	Ratio
GSA	200,564	45	1:4,457
State of Illinois	12,830,562	2,909	1:4,411
Application for Permit page 77-80			

3. To determine if the proposed project will not lower the utilization of the existing providers in the GSA and will not lower the utilization of other GSA facilities that are currently (during the latest 12-month period) operating below the utilization standards the applicants stated the following:

The applicants do not believe the proposed facility will have an adverse impact on other providers because *“the procedures proposed to be performed at the Endoscopy Center are primarily performed by Dr. Makhdoom in an office-based setting. The proposed facility will not lower the utilization of other area providers that are operating below the occupancy standards.”*

Based upon the documentation provided in the application for permit and the review of the 2014 Hospital and ASTC profile information Board Staff concludes that the proposed ASTC will result in an unnecessary duplication of service and will have an impact on other facilities in the GSA. [Application for Permit page 77-80]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION MALDISTRIBUTION/IMPACT ON OTHER PROVIDERS [77 IAC 1110.1540 (h) (1) (2) (3)]

G) Criterion 1110.1540 (i) - Staffing

To determine 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 the applicants must provide letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

The applicants stated that the Southern Illinois Gastrointestinal Endoscopy Center will be staffed in accordance with all State and Medicare staffing requirements. Southern Illinois Gastrointestinal Endoscopy Center will be staffed as follows:

- Registered Nurse (3 FTEs)
- Licensed Practical Nurse (1 FTE)
- Technician (2 FTEs)
- Nurse Anesthesiologist (1 FTE)
- Scope Washer (1 FTE)

Based on the information provided in the application and based upon the statement that the proposed facility if approved will be certified for Medicare and Medicaid, the Board Staff concludes staff is available or can be recruited. [Application for Permit page 81]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION STAFFING [77 IAC 1110.1540 (i)]

H) Criterion 1110.1540 (i) - Charge Commitment

To determine if the proposed project meets the central tenants of the Act of cost containment and support for safety net services the applicant must provide a list of charges and attest that these charges will remain in effect for the first two (2) years after project completion

The applicant submitted the following list of charges (does not include physician fees) stating that these charges will not increase for the first two (2) years of operations if the proposed project is approved.

TABLE TEN		
List of charges submitted by the applicant		
CPT Code	Description	Charge
43235	EGD ⁽¹⁾ without biopsy	\$787.50
43239	EGD with biopsy	\$945.00
43247	EGD with foreign body removal	\$1,210.00
43249	EGD with dilation	\$1,210.00
43250	EGD with polypectomy	\$945.00
43252	EGD with lesion removal	\$945.00
43255	EGD with control of bleeding	\$1,260.00
90135	Bravo 48 hr. pH	\$1,575.00
43244	Banding Esophageal varices	\$1,025.00
45378	Colonoscopy ⁽²⁾ without biopsy	\$1,105.00
45380	Colonoscopy with biopsy	\$1,105.00
45382	Control of bleeding endo clips	\$1,365.00
45381	Colonoscopy with injection	\$1,210.00
45383	Colonoscopy with lesion removal	\$1,210.00
45384	Colonoscopy with polypectomy hot biopsy forceps	\$1,210.00
45385	Colonoscopy with polypectomy snare	\$1,210.00
45330	Flexible Sigmoidoscopy ⁽³⁾	\$370.00
45331	Flexible Sigmoidoscopy with biopsy	\$475.00
45333	Flexible Sigmoidoscopy with polypectomy	\$525.00
45335	Flexible Sigmoidoscopy with tattoo	\$685.00
45338	Flexible Sigmoidoscopy with snare	\$630.00
43260	ERCP ⁽⁴⁾ Diagnostic	\$1,470.00
43261	ERCP with biopsy	\$1,575.00
43262	ERCP with sphincterotomy/papillotomy	\$1,785.00
43271	ERCP with balloon dilation	\$2,625.00
43273	ERCP with spyglass	\$2,625.00
43274	ERCP with stent placement	\$1,890.00
43275	ERCP with stent removal	\$1,890.00
43276	ERCP with stent removal/exchange	\$1,890.00
43277	ERCP with balloon	\$1,890.00
43278	ERCP with ablation	\$1,890.00
91035	Bravo pH capsule ⁽⁵⁾	\$1,575.00
<ol style="list-style-type: none"> 1. EGD is a test to examine the lining of the esophagus, stomach, and first part of the small intestine. 2. Colonoscopy is a test that allows your doctor to look at the inner lining of your large intestine (rectum and colon) 3. Sigmoidoscopy is a procedure used to see inside the sigmoid colon and rectum. The sigmoid colon is the area of the large intestine nearest to the rectum. 4. ERCP is a specialized technique used to study the bile ducts, pancreatic duct and gallbladder. 5. Bravo pH monitoring is a capsule-based, patient-friendly test for identifying the presence of acid reflux. 		

Based upon the documentation provided in the application the State Board Staff concludes the applicants have successfully addressed this criterion. [Application for Permit page 82-83]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION CHARGE COMMITMENT [77 IAC 1110.1540 (i)]

I) Criterion 1110.1540 (k) Assurances

The applicants stated the following: *“A peer review program will be implemented at Southern Illinois Gastrointestinal Endoscopy Center that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for the surgical services, and if outcomes do not meet or exceed those standards, a quality improvement plan will be initiated; and By the second year of operation after the project completion date, the annual utilization of the surgical/treatment rooms at Southern Illinois Gastrointestinal Endoscopy Center will meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.”* [See Application for Permit page 85]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION ASSURANCES [77 IAC 1110.1540 (k)]

VIII. FINANCIAL

A) Criterion 1120.120 - Availability of Funds

To determine if the applicants have sufficient financial resources available to fund the project the applicants must provide evidence of sufficient financial resources

The applicants are funding this project with a mortgage of \$1,196,400 and the FMV of a lease \$497,251. The applicants provided a term sheet that refers to the mortgage as working capital/capital expenditure line of credit of \$1,500,000 from Regions Bank with the terms of LIBOR plus 350 basis points currently 3.65% with a floor of 4% with the medical practice building located at 1100 Diann Lane, Carbondale, Illinois as collateral. The line of credit is secured by accounts receivable and inventory.

Additionally the applicants provided a letter from Jacek Wiltowski Assistant Vice President Regions Bank, *“I am writing on behalf of Regions Bank to confirm that as of March 30, 2016, Dr. Zahoor Makhdoom is owner/signatory to a business account ending in *_9806_ that has funds available in excess of \$1,196,400. Dr. Makhdoom has maintained various depository accounts with Regions Bank since at least 2009 and all accounts have been handled as agreed and in a satisfactory manner.”*

Line of Credit

The applicants provided this statement regarding the line of credit.

*“The sources of funds for the project include a line of credit of \$1,500,000. Borrowing money, however, is a back-stop to funding the project with cash. Dr. Makhdoom anticipates the project costs **will be funded with revenues from his related practice**, SIGIS, and he will not draw on the line of credit but he wants it as an option. As interest is only accrued when draws are made on the line of credit, Dr. Makhdoom does not anticipate any interest expense will be paid for the working capital line of credit. As a result, interest expense was not included in the pro forma financial statement.*

Dr. Makhdoom obtained a pre-qualification letter for a line of credit for the project to provide flexibility in funding the project. While capital contributions from his affiliated practice will fund the project, historically, the State Board requires such funds to be escrowed while the application is pending and throughout the course of the project. Escrowing approximately \$1.2 million dollars for nearly two years will adversely impact Dr. Makhdoom's ability to manage his practice's cash flow. The line of credit provides financial flexibility as it will allow Dr. Makhdoom to utilize his available cash to address issues at both his physician practice as well as the proposed endoscopy center. Further, it ensures sufficient financial resources will be available to fund the project.”
[Supplemental Information dated April 7, 2016]

Board staff reviewed the documentation submitted with the application for permit and the supplemental information that has been submitted by the applicants. Additionally, Board Counsel reviewed financial documentation of Southern Illinois G. I. Specialists, LLC., which indicated the medical practice had sufficient profitability to fund the project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS [77 IAC 1120.120]

B) Criterion 1120.130 - Financial Viability Ratios

To determine if the applicants are financial viable the applicants have provided projected financial information for the first year after project completion.

From the information contained in the tables below the applicants are in compliance with criterion [77 IAC 1120.130].

TABLE ELEVEN	
Projected Financial Information	
Year1 After Project Completion	
Total Income	\$10,093,746
Total Expenses	\$4,215,626
Net Income	\$5,878,120
Other Income/Expense	-\$152,911
Net Income	\$5,725,208
Current Assets	\$3,050,571
Total Assets	\$3,200,905
Current Liabilities	\$293,183
Total Liabilities	\$293,183
Total Equity	\$2,907,722
1. Application for Permit pages 94-98	

TABLE TWELVE				
Financial Viability Ratios				
	Ratio	State Board Standards	Projected First Year	
Current Ratio	Current Assets	1.5	\$3,050,571	10.4
	Current Liabilities		\$293,183	
Net Margin Percentage	Net Income	2.50%	\$5,725,208	56.70%
	Net Operating Revenue		\$10,093,746	
LTD to Capitalization	Long Term Debt	<50.00%	NA	NA
	Equity			
Projected Debt Service	NI + Dep.+Amort. + Interest Expense	>1.5	NA	NA
	Interest Expense + Principle Payments			
Days Cash on Hand	Cash	45 days	\$3,046,321	270 days
	(Operating Expense-Depreciation)/365		(\$4,215,636-\$95,456)/365	
Cushion Ratio	Cash	3	\$3,046,321	NA
	Principal Payments +Interest Expense		0	
NA – Not Applicable - Applicants do not expect debt to be used for this project				

The applicants provided a projected balance sheet and income statement, and the financial ratios as required for the first year after project completion. From Board staff's review, the applicants have met the requirements of this criterion. [Application for Permit pages 94-98]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY [77 IAC 1120.130]

IX. ECONOMIC FEASIBILITY

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

B) Criterion 1120.140 (b) Terms of Debt Financing

To determine if the financing arrangements are reasonable the applicants provided a non-binding letter of intent to lease space in the medical office building located at 1100 West Diann Lane, Carbondale, Illinois to Southern Illinois Gastrointestinal Endoscopy Center for a term of ten years with two renewal options. The lease is between The Bahama Clinic, LLC and Southern Illinois Gastrointestinal Endoscopy Center, LLC. The anticipated tenant improvements are projected to be \$23.00/sq ft. There are two five (5) year renewal options.

Based upon the information reviewed by the Board Staff in the application for permit it appears the lease is reasonable.

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

C) Criterion 1120.140 (c) - Reasonableness of Project Costs

To determine if the project costs are reasonable and are in compliance with State Board Standard the applicants must provide documentation of the costs of the project.

Modernization and Contingency Costs – These costs are \$165,000 or \$152.07 per GSF. This appears reasonable when compared to the State Board Standard of \$272.82.

Contingency Costs – These costs are \$15,000 and are 10% of modernization costs of \$150,000. This appears reasonable when compared to the State Board Standard of 10-15%.

Equipment Costs – These costs are \$401,400 or \$200,700 per operating room/procedure room. This appears reasonable when compared to the State Board Standard of \$475,480 per operating/procedure room.

FMV of Leased Space – These costs are \$167,448. The State Board does not have standards for these costs.

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

D) Criterion 1120.140 (d) - Direct Operating Costs

The direct operating cost per procedure is \$845.36. The State Board does not have a standard for these costs. [Application for Permit page 105]

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

E) Criterion 1120.140 (e) - Projected Capital Costs

The project capital cost per procedure is \$32.89. The State Board does not have a standard for these costs. [Application for Permit page 106]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION PROJECTED CAPITAL COSTS [77 IAC 1120.140 (e)]

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