



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-06	BOARD MEETING: September 13, 2016	PROJECT NO: 16-028	PROJECT COST: Original: \$6,701,104.69
FACILITY NAME: DMG Surgical Center, LLC		CITY: Lombard	
TYPE OF PROJECT: Non-Substantive			HSA: VII

PROJECT DESCRIPTION: The applicants (DMG Surgical Center, LLC and DuPage Medical Group, Ltd.) are proposing to modernize an existing ambulatory surgical treatment center and increase the number of operating rooms from five (5) to eight (8), as well as add twelve (12) recovery rooms. In addition, the applicants are proposing to modernize administrative and operational support areas and other existing facility areas to integrate the expansion. The total cost of the project is \$6,701,104.69. The anticipated completion date is September 30, 2017.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (DMG Surgical Center, LLC and DuPage Medical Group, Ltd.) are proposing to modernize an existing ambulatory surgical treatment center and increase the number of operating rooms from five (5) to eight (8), as well as add twelve (12) recovery rooms. In addition the applicants are proposing to modernize administrative and operational support areas and other existing facility areas to integrate the expansion. The total cost of the project is \$6,701,104.69. The anticipated completion date is September 30, 2017.
- The Applicants modified the project on August 24, 2016. This modification was considered a Type B Modification and did not require a Notice of an Opportunity for a Public Hearing. The size, scope and total project costs did not change. Architectural and Engineering Fees and Consulting Fees were adjusted to reflect both reviewable and non reviewable costs. An explanation for the findings regarding financial viability and reasonableness of costs were also provided.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the proposed project is in excess of the capital expenditure threshold of \$3,378,491. (20 ILCS 3960/3)

PURPOSE OF THE PROJECT:

- The primary purpose of the proposed project is to enable the applicants to better meet the current and future needs of its patients and the community for high quality, cost efficient and accessible outpatient surgical care.

PUBLIC HEARING/COMMENT:

- There was no request for a public hearing and no letters of support or opposition were received by the State Board Staff.

CONCLUSION:

- **The State Board Staff has reviewed the application for permit and supplemental material submitted and note the following:**
- Current State Board rules for a project that proposes the modernization and expansion of existing services the question of whether the proposed project will improve service access in the service area and whether the proposed project will result in an unnecessary duplication, maldistribution of service or impact other area providers is not considered.
- Over the past five years (2011-2015), the applicants' average historical utilization will justify seven (7) operating rooms and four (4) procedure rooms.
- Physician referral letters provided by the applicants will add 5,562 hours and will justify four (4) additional operating rooms.
- Based on the above, the applicants can justify eleven (11) operating rooms and four (4) procedure rooms. The applicants are requesting eight (8) operating rooms three (3) procedure rooms and thirty three (33) recovery stations.

Criteria	Reasons for Non-Compliance
<p>Criterion 1120.130 (a) – Financial Viability</p>	<p>The applicants did not meet the State Board standard for</p> <ul style="list-style-type: none"> • Net Margin Percentage for all years presented. • Projected Debt Service for CY 2015 • Days Cash on Hand for CY 2013 thru CY 2015 • Cushion Ratio for CY 2014 <p>Applicants Response: <i>“It should first be noted that the financials presented were for DuPage Medical Group, Ltd., which is 87.5% owner in the Surgical Center. The financials are not based solely on the performance of the surgical center, as DMG does not separate their financial to allow such an analysis. DuPage Medical Group is a physician group with a unique business model. The responsibilities of which require the organization to apportion excess cash to the physician shareholders. Despite the fact that the DMG may not have met some of the state standards, the submitted financials for DuPage Medical Group, Ltd evidence that DMG is a financially sound entity which has always met its financial obligations. Based upon the clear financial viability of DMG, it is our belief the state standards do not adequately assess the applicants’ ability to execute this project and cover their obligations.”</i></p>
<p>Criterion 1120.140 (c) Reasonableness of Project Costs</p>	<p>The applicants exceeded the State Board Standard for</p> <ul style="list-style-type: none"> • Modernization and Contingency Costs by \$255,432 <p>Applicants Response: <i>While there are no recent projects expanding existing ASTCs from which the draw a comparison of similar construction complexities, the total costs per Gross Square Foot (GSF) of the Modernization Construction Contracts are similar to Project #16-007, which was approved by the HFSRB. Project #16-007 established a new multispecialty ASTC with two operating rooms, and the project had New Construction Contract Costs of \$546.12 per GSF (\$3,722,956/6817=\$546.12). At the time, this exceeded the state standard by \$177.49 per GSF. The applicants' proposed project is similar to Project #16-007, as both projects proposed between 6,800 and 7,900 GSF of clinical construction, between 2-3 new Operating Rooms (ORs), upgraded HV AC systems, and include use of the ORs for multiple specialties. The proposed projects construction costs are comparable to the size and complexity of Project #16-007, while factoring in the additional complexity of building onto an existing and operational structure.</i></p> <ul style="list-style-type: none"> • Movable Equipment Costs by \$205,095 <p>Applicants Response: <i>“The total costs of Movable or Other Equipment per room (\$572,801) exceeds the state standard of \$504,437.05 per room, when evaluating the project for an expansion of three operating rooms. However, the major expenses associated with the operating rooms (Booms, Lights, Arms, OR Beds, Anesthesia Machines, and Clarity Imaging Machines) total \$1,174,089.85 for a cost per expansion room of \$391,363, within the state standards. The cost is reasonable as equipment is necessary to provide patients high quality and cutting edge diagnostic and therapeutic capabilities. Additionally, equipment being purchased is also attributable to modernization of the facility that will serve the existing treatment rooms.”</i></p>

STATE BOARD STAFF REPORT
Surgical Center of DuPage Medical Group
PROJECT #16-028

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	DMG Surgical Center, LLC DuPage Medical Group, Ltd.
Facility Name	Surgical Center of DuPage Medical Group
Location	2725 S. Technology Drive, Lombard, Illinois
Application Received	June 27, 2016
Application Deemed Complete	June 28, 2016
Review Period Ends	August 27, 2016
Permit Holder	DMG Surgical Center, Ltd.
Operating Entity	DMG Surgical Center, Ltd.
Owner of the Site	DMG Real Estate Holdings, LLC
Project Financial Commitment Date	September 13, 2018
Gross Square Footage	29,200 GSF
Project Completion Date	September 30, 2017
Expedited Review	No
Can Applicants Request Another Deferral?	Yes
Has the Application been extended by the State Board?	No

I. The Proposed Project

The applicants (DMG Surgical Center, LLC and DuPage Medical Group, Ltd.) are proposing to modernize an existing ambulatory surgical treatment center and increase the number of operating rooms from five (5) to eight (8), as well as add twelve (12) recovery add twelve (12) recovery rooms. In addition the applicants are proposing to modernize administrative and operational support areas, and other existing facility areas to integrate the expansion. The total cost of the project is \$6,701,104.69. The anticipated completion date is September 30, 2017.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project is **NOT** in conformance with the provisions of Part 1120.

III. General Information

The applicants are DMG Surgical Center, LLC and DuPage Medical Group, Ltd. DuPage Medical Group, Ltd. is a multi-specialty physician practice that provides a broad range of outpatient services. The main office is in Downers Grove, Illinois, with 66 satellite offices throughout the western suburbs of Chicago, predominantly DuPage County. DMG, Ltd. was incorporated as a medical corporation in the State of Illinois in July 1968 and is a for-profit, taxable corporation. DMG, Ltd. has 479 physicians, of which 396 are shareholders, as of December 31, 2015.

DMG Surgical Center, LLC currently operates an Ambulatory Surgical Treatment Center located at 2725 Technology Dr. Lombard, Illinois with five (5) operating rooms and three (3) procedure rooms. DMG Surgical Center, LLC is currently owned by DuPage Medical Group, Ltd (87.5%) and Edward Health (12.5%). The surgery center has been approved for the following surgical specialties: Gastroenterology, General/Other, OB/GYN, Ophthalmology, Orthopedic, Plastic, Pain Management, Podiatry, Otolaryngology, Urology, Cardiovascular, Dermatology, Neurology, Oral/Maxillofacial, and Thoracic.

Project obligation will occur after permit issuance. This is a non-substantive project subject to a Part 1110 and Part 1120 review.

The surgery center is located in Health Service Area 7. Health Service Area 7 includes DuPage and Suburban Cook County.

IV. Health Service Area 7

In 2014 there were forty-six (46) ambulatory surgical treatment centers in HSA 7 with 148 surgery rooms and 42 procedure rooms. In 2014 these forty-six (46) surgery centers' operating rooms operated at fifty-one percent (51%) and the procedure rooms operated at forty-six percent (46%). The payor mix for these forty-six (46) surgery centers in 2014 is listed below. Charity care expense was .38%.

[Source:<http://www.illinois.gov/sites/hfsrb/InventoriesData/FacilityProfiles/Documents/2014%20ASTC%20HSA%20Summary.pdf>]

Medicare	23%
Medicaid	1%
Private Ins.	70%
Private Pay	6%

V. Project Costs and Sources of Funds

The applicants are funding this project with cash of \$390,000 and a bank loan of \$6,311,104.69.

TABLE TWO
Project Costs and Sources of Funds

USE OF FUNDS	Reviewable	Non Reviewable	Total
New Construction Contracts	\$2,222,948.02	\$1,080,383.83	\$3,303,331.85
Modernization Contracts	\$836,714.53	\$233,953.62	\$1,070,668.15
Contingencies	\$152,983.13	\$65,716.87	\$218,700.00
Architectural/Engineering Fees	\$235,529.41	\$114,470.59	\$350,000.00
Consulting and Other Fees	\$26,917.65	\$13,082.35	\$40,000.00
Movable or Other Equipment	\$1,718,404.69		\$1,718,404.69
TOTAL USES OF FUNDS	\$5,193,497.13	\$1,507,607.36	\$6,701,104.69
SOURCE OF FUNDS	Reviewable	Non Reviewable	Total
Cash and Securities			\$390,000.00
Other Funds and Sources			\$6,311,104.69
TOTAL SOURCES OF FUNDS			\$6,701,104.69

Source: Application for Permit pages 45-46 and additional information provided August 8, 2016 and August 24, 2016

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

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

To demonstrate compliance with this criterion the applicants must document the existing problems and how the identified problems will be addressed by the proposed project.

The primary purpose of the proposed project is to enable the applicants to better meet the current and future needs of its patients and the community for high quality, cost efficient and accessible outpatient surgical care. Because this is an expansion of the services currently being offered, this project is not intending to change the service area of the current facility. The facility principally serves residents of Health Service Area 7, consisting of DuPage and Suburban Cook Counties (the Primary Market Service Area). However, patients living in Cook, Will and Kane County will also visit this location. The geographic service area ("GSA" includes all zip code areas that are within a 45-minute drive time radius surrounding the site). DMG does not expect the patient population to vary greatly from historical utilization. As seen in the table below, the patient origins indicate that ASTC services offered at DMG primarily serve DuPage County and the surrounding areas. [Source: Application for Permit pages 65-70]

TABLE THREE
City of Residence and Number of Patients and the % of Total
DMG Surgical Center, LLC.

City	Patients	% of Total	City	Patients	% of Total
Naperville	2,592	13.840%	Sugar Grove	54	0.289%
Lombard	1,248	6.671%	Shorewood	53	0.283%
Wheaton	1,245	6.550%	Streamwood	53	0.273%
Downers Grove	1,079	5.767%	Riverside	51	0.198%
Glen Ellyn	984	5.260%	Oak Park	37	0.176%
Aurora	741	3.961%	Wood Dale	33	0.171%
Carol Stream	686	3.667%	Orland Park	32	0.160%
Plainfield	596	3.189%	Itasca	30	0.155%
Bolingbrook	555	2.966%	Homer Glen	28	0.150%
Lisle	548	2.929%	Hillside	28	0.139%
Woodridge	477	2.550%	Medinah	26	0.139%
Westmont	386	2.063%	Elk Grove Village	26	0.128%
Westchester	383	2.047%	Berwyn	24	0.123%
Barnett	382	2.040%	Elburn	23	0.123%
Darien	340	1.817%	Wayne	23	0.112%
Glendale Heights	321	1.716%	Bellwood	21	0.107%
Villa Park	297	1.587%	Palatine	20	0.107%
Elmhurst	278	1.486%	Melrose Park	20	0.102%
Bloomingtondale	274	1.465%	Willow Springs	19	0.102%
Winfield	234	1.251%	Berkeley	19	0.086%
Chicago	214	1.144%	Broadview	16	0.080%
Addison	209	1.170%	Minooka	15	0.080%
Romeoville	196	1.048%	Arlington Heights	15	0.075%
Warrenville	191	1.021%	Cicero	14	0.075%
Oakbrook	176	0.941%	Forest Park	14	0.075%
Hinsdale	169	0.903%	Tinley Park	14	0.075%
Hanover Park	167	0.893%	Des Plaines	14	0.064%
Oswego	152	0.812%	Lyons	12	0.064%
Lemont	138	0.738%	Hoffman Estates	12	0.053%
Willowbrook	135	0.722%	Palos Heights	10	0.053%
Batavia	115	0.615%	Palos Park	10	0.053%
Clarendon Hills	112	0.599%	Carpentersville	9	0.048%
Roselle	111	0.593%	Channahon	9	0.048%
Joliet	97	0.518%	Franklin Park	9	0.048%
Western Springs	93	0.497%	New Lenox	9	0.048%
Westchester	90	0.481%	Oak Lawn	9	0.048%
Lagrange	83	0.444%	Park Ridge	9	0.048%
Geneva	82	0.438%	Elmwood Park	8	0.043%
Saint Charles	82	0.422%	River Forest	8	0.043%
Yorkville	79	0.422%	River Grove	8	0.043%
Elgin	78	0.417%	Justice	7	0.037%
Brookfield	72	0.385%	Mount Prospect	7	0.037%
North Aurora	70	0.374%	Rolling Meadows	7	0.037%
Schaumburg	67	0.358%	Barrington	6	0.032%
Montgomery	61	0.326%	Frankfort	6	0.032%
Lockport	60	0.321%	Lake Zurich	6	0.032%
Crest Hill	56	0.299%	Maywood	6	0.032%
Bensenville	55	0.294%	Mokena	6	0.032%

City	Patients	% of Total	City	Patients	% of Total
La Grange Park	54	0.289%	36 different zip codes	83	0.444%

B) Criterion 1110.234 (b) Safety Net Impact Statement

To demonstrate compliance with this criterion for a non-substantive project the applicants must provide their charity care for past three years.

The project is classified as a non-substantive project and a Safety Net Impact Statement is not required for non-substantive projects. Charity care information was provided as required. The table below contains the charity care information for DuPage Medical Group, Ltd.

TABLE FOUR
Charity Care Information

	DuPage Medical Group, Ltd.		
	FY 2013	FY 2014	FY 2015
	(in thousands)		
Net Patient Revenue	\$436,101	\$499,840	\$549,085
Amount of Charity Care to Charges	\$5,094	\$1,364	\$768
Cost of Charity Care	\$5,094	\$1,364	\$768
Ratio of Charity Care to Net Patient Revenue	1.17%	0.027%	0.14%

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

To demonstrate compliance with this criterion the applicants must provide the alternatives to the proposed project and the reasons for the rejections.

The applicants considered three alternatives to the proposed project:

1. Do Nothing
2. Remain Open Nights and Weekends
3. Reduce the Scope and Size of the Current Project

These alternatives were rejected because none of the three (3) alternatives would reduce the “*overcapacity of the current facility in relation to the demand for services.*” [Source Application for Permit pages 71-72]

VII. Size of the Project, Projected Utilization, Assurances.

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

To demonstrate compliance with this criterion the applicants must document that the gross square footage proposed by the project is in compliance with the State Board Standards in Section 1110 Appendix B.

The applicants are proposing 23,420 GSF of reviewable GSF for the proposed eight (8) operating rooms, three (3) procedure rooms and eleven (11) PACU 1 recovery stations and twenty two (22) PACU II recovery stations. The three (3) additional surgery rooms being proposed will consist of 7,644 GSF of new space or 2,548 GSF per surgery room which is within the State Board Standard of 2,750 GSF per surgery room. [Source: Application for Permit page 73]

B) Criterion 1110.234 (b) – Projected Utilization

To demonstrate compliance with this criterion the applicants must document that the proposed project will achieve target occupancy the first year after project completion.

The applicants are projecting an additional 5,562 hours the first year after project completion. This projection is based upon the ninety (90) physician referral letters provided by the applicants. In CY 2015 the facility reported 9,845 hours for the five (5) surgery rooms and 6,893 hours for the three (3) procedure rooms. CY 2015 utilization would justify 7 surgery rooms and 5 procedure rooms at target occupancy of 1,500 hours per room.

Based upon the physician referral letters and the historical utilization of the facility the applicants have demonstrated that they will be at target occupancy within the first year after project completion. [Source Application for Permit page 74]

C) Criterion 1110.234 (e) – Assurances

To demonstrate compliance with this criterion the applicants must provide an attestation that by the second year after project completion the facility will achieve target utilization.

The applicants have provided the necessary attestation at *page 135 of the Application for Permit.*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERIA SIZE OF THE PROJECT, PROJECTED UTILIZATION AND ASSURANCES (77 IAC 1110.234(a) (b) (e))

VIII. Non Hospital Based Ambulatory Surgical Treatment Center

A) Criterion 1110.1540 (b) (1) (4) – Background of the Applicants

To demonstrate compliance with this criterion the applicants must provide a listing of all health care facilities owned or operated by the applicants, including licensing, and certification; a certified listing of any adverse actions taken against any facility owned and/or operated by the applicant during the past three years before the filing of the application and authorization allowing the State Board and IDPH access to any all records to verify information in the application for permit.

1. A listing of all health care facilities owned by the applicants was provided as required as well as licensure information and Joint Commission Accreditation. [Source: Application for Permit pages 47-63]
2. *Dennis Fine COO, DuPage Medical Group stated the following: “Specifically, this letter certifies that none of the health care facilities owned or operated by DuPage Medical Group, Ltd., to wit DMG Surgical Center, LLC, DMG Pain Management Surgery Center, LLC, Plainfield Surgery Center, LLC, and Naperville Surgery Centre LLC, have had any adverse actions taken against them in the three years (3) prior to the filing of this application. Furthermore, DuPage Medical Group, Ltd. authorizes, on behalf of the DMG Surgical Center, LLC, DMG Pain Management Surgery Center, LLC, Plainfield Surgery Center, LLC, and Naperville Surgery Centre LLC, the Health Facilities and Services Review Board and the Illinois Department of Public Health to access any documents necessary to verify the information submitted, including, but not limited to: official records of the IDPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations.”* [Source: Application for Permit page 64]
3. The applicants DuPage Medical Group, Ltd. and DMG Surgical Center, LLC are in Good Standing with the Illinois Secretary of State as required. [Source: Application pages 24-26]
4. The facility is not in a special flood hazard area and is in compliance with Executive Order 2006-5. [Source: Application for Permit pages 38-40]
5. The facility is in compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). [Source: Application for Permit page 41-43]

B) Criterion 1110.1540 (c) (2) (A) (B) – Service to GSA Residents

To demonstrate compliance with this criterion the applicants must provide the zip codes of the proposed GSA and provide documentation that at least 50% of the patient workload reside with the proposed GSA.

A listing of zip codes within the geographic service area was provided by the applicants at *Application for Permit pages 79-85*. From the State Board Staff’s review of the GSA’s zip codes and the physician referral letters it would appear that the proposed project will serve the residents of the GSA.

The facility currently serves residents of Health Service Area VII which consists of DuPage and Suburban Cook Counties. The applicants do not expect the patient origin to differ greatly from the historical utilization.

Based upon the information reviewed by the State Board Staff the proposed project will provide services to residents of the GSA.

C) Criterion 1110.1540 (e) (1) through (3) – Service Demand

To demonstrate compliance with this criterion the applicants must document that the facility has been operating at the target occupancy of 80% per operating/procedure room and additional referrals will justify the number of operating rooms and procedure rooms being requested.

1. Historical Utilization 2011-2015

As can be seen from the Table below the applicants historical utilization can justify seven (7) operating rooms and four (4) procedures rooms based upon the historical utilization (2011 thru 2015) at the facility.

TABLE FIVE						
DMG Surgical Center, LLC						
Historical Utilization						
	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	Average
Surgery Rooms	5	5	5	5	5	5
Procedure Rooms	2	3	3	3	3	3
Surgery Hours	8,660.00	8,128.50	10,159.00	9,484.75	9,845	9,255.37
Procedure Hours	3,157.25	4,085.25	4,968.25	5,078.75	6,893	4,836.42
Recovery I	8	8	8	8	8	8
Recovery II	9	12	12	13	11	11

2. Projected Utilization

To document compliance with this criterion the applicants must provide physician referral letters that:

1. that attest to the physician's total number of patients (by zip code of residence) that have received treatments at existing IDPH-licensed facilities located in the GSA during the 12-month period prior to submission of the application.
2. an estimate of the number of patients that will be referred by the physician to the applicant's facility.
3. the physician's notarized signature, the typed or printed name, the office address and the specialty of the physician.

The State Board's Staff review of the physician referral letters concludes that all of the requirements of the State Board have been met. [Source: Application for Permit pages 180-617]

The applicants provided ninety (90) physician referral letters documenting that an additional 5,257 referrals and an additional 5,562 hours would be expected at the facility in each of the two years following project completion. The additional referrals will justify four operating. The Table below is a summary of these referrals.

TABLE SIX
Physician Referral Letters
Historical and Projected Referrals

Physician	Specialty	Historical Referrals	Additional Referrals	Additional Hours	Average Case Time
Alasadi, Rameez	Gastro	935	281	188.27	0.67
Hoscheit, Don	Gastro	1153	346	231.82	0.67
Katwala, Kashyap	Gastro	384	115	77.05	0.67
Klugman, Adam	Gastro	470	141	94.47	0.67
Piedra, Rafael	Gastro	706	212	142.04	0.67
Wang, Alan	Gastro	300	90	60.3	0.67
Shrieber, Anne	OB/Gyn	52	16	13.92	0.87
Ajmere, Niraj	Gastro	160	48	32.16	0.67
Mozwecz, Harold	Gastro	923	277	185.59	0.67
Losavio, Anelka	Gastro	371	111	74.37	0.67
Stoller, Scott	Ophthal	10	3	96.48	0.87
Gokhale, Rahul	Ortho	241	72	96.48	1.34
Guay,Bhatia, Lise	Ophthal	10	3	2.4	0.80
Danahey, Daniel	Otolaryn	128	38	45.6	1.20
Mourad William	Gastro	407	122	81.74	0.67
Ali, Rafi	Gastro	149	45	30.15	0.67
Gallo, Martin	OB/Gyn	41	12	10.44	0.87
Mitchell, Susan	OB/Gyn	38	11	9.57	0.87
Wolowick, Karen	OB/Gyn	43	13	11.31	0.87
Wirth, Summer	OB/Gyn	30	9	7.83	0.87
Patsavas, Kristian	OB/Gyn	35	11	9.57	0.87
Reddy, Shilpa	Otolaryn	55	17	20.4	1.20
Ung, Feodor	Otolaryn	52	16	19.2	1.20
Wolraich, David	Otolaryn	90	27	32.4	1.20
Hsu, Grifftrh	Otolaryn	62	19	22.8	1.20
Celmer, Andrew	Otolaryn	108	32	38.4	1.20
Kemker, Bryan	Otolaryn	105	32	38.4	1.20
Shah, Ojas	Otolaryn	90	27	32.4	1.20
Chang, Phyllis	OB/Gyn	42	13	11.31	0.87
Heimbürger, Stuart	OB/Gyn	86	26	22.62	0.87
Siegel, Kenneth	OB/Gyn	92	28	24.36	0.87
Freeman, Jody	OB/Gyn	55	17	14.79	0.87
Torres, Arnaldo	OB/Gyn	73	22	19.14	0.87
Casini, Jack	Ortho	38	11	14.74	1.34
Reilly, John	Ortho	54	16	21.44	1.34
Ibrahim, Denise	Ortho	60	18	24.12	1.34
Asselmeier, Marc	Ortho	268	80	107.2	1.34
Vajaria, Gaurav	Podiatry	110	33	46.2	1.40
Huang, Chris	Ortho	262	79	105.86	1.34
Matlock, Robert	Ortho	127	38	50.92	1.34
Bueche, Matthew	Ortho	51	15	20.1	1.34
Labriola, Joanne	Ortho	364	109	146.06	1.34
Mash, Steven	Ortho	33	10	13.4	1.34
Thangamani, Vijay	Ortho	138	41	54.94	1.34
Murphy, Brian	Ortho	173	52	69.68	1.34
Lombardi, John	Ortho	54	16	21.44	1.34
Tulipan, David	Ortho	627	188	251.92	1.34

TABLE SIX
Physician Referral Letters
Historical and Projected Referrals

Physician	Specialty	Historical Referrals	Additional Referrals	Additional Hours	Average Case Time
Lieber, Lawrence	Ortho	179	54	72.6	1.34
Lapinski, Bryan	Ortho	339	102	136.68	1.34
Pelinkovic, Dalip	Ortho	45	14	18.76	1.34
Kalsson, Troy	Ortho	97	29	38.86	1.34
Walsh, Kevin	Ortho	489	147	196.98	1.34
Arndt, Stephen	Ortho	543	163	218.42	1.34
Pulluru, Raghu	Ortho	71	21	28.14	1.34
Brown, Christina	Podiatry	19	6	8.4	1.40
Sanders, Kenneth	Ortho	32	10	13.4	1.34
Rosseau, Richard	Ortho	56	17	22.78	1.34
Welch, Robert	Ortho	232	70	93.8	1.34
Kim, Andrew	Ortho	26	8	10.72	1.34
Sayeed, Yousuf	P.Man.	6	2	0.94	0.47
Gashkoff, John	P. Man.	17	5	2.35	0.47
Fallah, Marc	Gastro	461	138	92.46	0.67
Bressler, Judith	OB/Gyn	41	12	10.44	0.87
Ahn, Charles	Ophthal	125	38	30.4	0.80
Smith, Craig	Urology	304	91	137.41	1.51
Daw, Joseph	Plastic	366	110	179.3	1.63
Sigalove, Steven	Plastic	248	74	120.62	1.63
Green, Bart	General	386	116	121.8	1.05
Lee, Theresa	General	127	38	39.9	1.05
Montana, Louis	General	489	147	154.35	1.05
Grant, Gregory	General	286	86	90.3	1.05
Wielgolewski, James	General	67	20	21	1.05
Merrick, Paul	Urology	91	27	40.77	1.51
Lyons, Paul	Urology	87	26	39.26	1.51
Seo, Robert	Urology	123	37	55.87	1.51
Bockrath, John	Urology	104	31	46.81	1.51
Fakouri, Bejan	Urology	130	39	58.89	1.51
Miocinovic, Ranko	Urology	49	15	22.65	1.51
Dehaan, David	General	163	49	51.45	1.05
Oh, Joseph	Urology	110	33	49.83	1.51
Pasciak, Robert	Urology	100	30	45.3	1.51
Martirano, Michael	General	205	62	65.1	1.05
Slavelis, Harvey	General	239	72	75.6	1.05
Douglas, Daniel	General	198	59	61.95	1.05
Cox, Mathew	General	249	75	78.75	1.05
Vallina, Van	General	107	32	33.6	1.05
Mangat, Amrit	General	123	37	38.85	1.05
Ung, Jean	Urology	183	55	83.05	1.51
Signorino, Paul	General	164	49	51.45	1.05
Hamby, John	General	176	53	55.65	1.05
Total			5,257	5,561.2	

Source: Application for Permit Page 179-181

Based upon the historical utilization and the number of expected physician referrals the State Board Staff concludes that there is sufficient demand to justify the proposed expansion.

D) Criterion 1110.1540 (f) (1) (2) – Treatment Room Need Assessment

To document compliance with this criterion the applicants must document that the number of treatment rooms being proposed is necessary to service the projected patient volume.

The applicants currently have five (5) operating rooms and three (3) procedure rooms and are requesting an additional 3 operating rooms for a total of eight (8) operating rooms and three (3) procedure rooms.

As documented above historical utilization will justify seven (7) operating rooms and four (4) procedure rooms. The additional physician referrals will justify four (4) operating rooms. In total the applicants can justify eleven (11) operating rooms and four (4) procedure rooms.

Based upon the historical utilization and the number of expected physician referrals the State Board Staff concludes the number of treatment rooms is necessary to meet the expected demand.

E) Criterion 1110.1540 (i) (1) (2) – Staffing

To document compliance with this criterion the applicants must document that relevant licensure, certification and accreditation staffing requirements have been met.

The applicants are currently licensed by IDPH, certified for Medicare participation and is accredited by the Accreditation Association for Ambulatory Health Care.

Based upon the information provided by the applicants the State Board Staff concludes appropriate staffing will be available. [Source: Application for Permit pages 51-53]

F) Criterion 1110.1540(j) – Charge Commitment

To document compliance with this criterion the applicants must provide the facility charges and a commitment that these charges will not increase for a two-year period after project completion.

The applicants provided their master charge list at *Application for Permit pages 96-131* and the applicants have attested that facility charges at the ASTC will not be increased for at least the first two years of the facility's operation, unless a permit is first obtained. [Source: Application for Permit page 134]

G) Criterion 1110.1540 (k) (1) (2) - Assurances

To demonstrate compliance with this criterion the applicants must provide an attestation that a peer review program is in place and by the second year after project completion the facility will achieve target utilization.

The applicants have attested “that a peer review program exists that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for the ASTC services, and if outcomes do not meet or exceed those standards, that a quality improvement plan will be initiated. Furthermore, DMG attests that by second year of operation after the project completion date, the annual utilization of the surgical/treatment rooms will meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100, as demonstrated herein.” [Source: Application for Permit page 135]

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERIA BACKGROUND OF THE APPLICANTS, SERVICE TO GSA RESIDENTS, SERVICE DEMAND, TREATMENT ROOM NEED ASSESSMENT, STAFFING, CHARGE COMMITMENT, ASSURANCES (77 IAC 1110.1540 (b) (1) (4), 77 IAC 1110.1540 (c) (2) (A) (B), 77 IAC 1110.1540 (e) (1) through (3), 77 IAC 1110.1540 (f) (1) (2), 77 IAC 1110.1540 (j), 77 IAC 1110.1540 (k) (1) (2))

IX. Financial Feasibility

A) Criterion 1120.120 – Availability of Funds

To demonstrate compliance with this criterion the applicants must document that the funds are available to fund the proposed project.

The applicants are funding this project with cash of \$390,000 and a bank loan not to exceed \$6,500,000. A review of the applicants audited financial statements would indicate the applicants have sufficient cash to fund the cash portion of the project.

TABLE SEVEN		
Dupage Medical Center, Ltd		
Audited		
December 31st		
(in thousands)		
	2015	2014
Patient Service Revenue	\$446,660	\$413,934
Total Revenues	\$569,418	\$518,612
Expenses	\$539,521	\$498,127
Net Income or Loss	-\$109,373	\$12,792
Cash	\$58,095	\$14,948
Current Assets	\$148,491	\$88,244
Total Assets	\$371,146	\$295,147
Current Liabilities	\$108,827	\$95,050
LTD	\$154,888	\$51,569
Total Liabilities	\$305,833	\$187,805

A letter from Bank of America was provided regarding the bank loan. The letter stated in part:

“DMG has been a good and valuable customer of Bank of America for several years. Pursuant to a credit agreement dated December 29, 2015, DMG maintains access to a \$25,000,000 committed revolving line of credit which matures on December 29, 2020. The revolving line of credit is available to fund the required capital expenditures and equipment purchases for the expansion project at issue. [Source: Application for Permit page 137 and additional information submitted August 24, 2016]

Based upon the information provided by the applicants in the application for permit and the revolving credit line that is available to fund the expansion the State Board Staff is able to make a positive finding regarding the availability of funds.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 IAC 1120.120)

B) Criterion 1120.130 Financial Viability

To demonstrate compliance with this criterion the applicants must provide financial ratios that meet the State Board Standards outlined in Section 1120 Appendix A.

From the Table below the applicants do not meet the State Board Standard for

- Net Margin Percentage for all years reported.
- Projected Debt Service for CY 2015
- Days Cash on Hand for CY 2013 thru CY 2015
- Cushion Ratio for CY 2014

**TABLE EIGHT
Financial Viability Ratios
DuPage Medical Center, Ltd.**

	State Standard	2013	2014	2015	First Year After Project Completion
Current Ratio	>1.5	3.08	3.11	3.41	3.15
Net Margin Percentage	>3.50	2.40%	2.50%	-19.60%	2.50%
% Debt to Capitalization	<80%	16.00%	15.00%	19.00%	16.00%
Projected Debt Service	>1.75	5.03	5.67	-40.82	5.75
Days Cash On Hand	>45 Days	15	11	44	45
Cushion Ratio	>3.0	3.04	2.4	27.6	3

The applicants provided the following explanation:

- Although DMG does not meet the **Net Margin Percentage**, it should be noted that DMG's business model requires it to apportion excess cash to physician shareholders after necessary expenses have been paid. Further, the 2015 figure is attributed to a one-time bonus payment. DMG is a going concern that has never defaulted on any loans and has always met its financial obligations as they become due.
- Although DMG does not meet **Projected Debt Service** in 2015, it should be noted that DMG easily met this standard in 2013 and 2014. The 2015 figure is attributed to a one-time bonus payment. DMG is a going concern that has never defaulted on any loans and has always met its financial obligations as they become due.
- Although DMG does not meet **Days Cash On Hand**, it should be noted that DMG's business model requires it to apportion excess cash to physician shareholders after necessary expenses have been paid. Further, the standard was substantially met in the most recent year, falling one day short of the 45-day standard. DMG is a going concern that has never defaulted on any loans

and has always met its financial obligations as they become due. [Source Application for Permit pages 173-174]

Based upon the information provided in the application for permit and the State Board Staffs’ review of the audited financial statements the applicants do not meet the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS NOT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.130)

X. Economic Feasibility

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

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

To document compliance with these criteria the applicants must attest that the borrowing is less costly than the liquidation of existing investments and the selected form of debt financing will be at the lowest net costs available.

Dennis Fine COO of DuPage Medical Group attested “I hereby attest that, for the DMG Surgical Center, LLC expansion project, borrowing is less costly than the liquidation of existing investments and that the existing investments being retained may be converted to cash or used to retire debt within a 60-day period. Furthermore, I certify that, as this project will require debt financing, the selected form of debt financing will be at the lowest net cost available.”

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 demonstrate compliance with this criterion the applicants must document that the costs are reasonable and meet the State Board Standards in Section 1120 Appendix A.

TABLE NINE
Reasonableness of Project Costs

	Application	Cost Including Proportionate Share of Contingency	Applicant’s Cost	State Board Standard	Met Criteria?
New Construction Contracts	\$2,222,948.02	\$2,334,166.76	\$408.07	\$414.90	Yes
Modernization Contracts	\$836,714.53	\$878,478.92	\$408.07	\$289.43	No
Contingencies	\$152,983.13		4.76%	15.00%	Yes
Architectural/Engineering Fees	\$235,529.41		7.33%	10.54%	Yes
Consulting and Other Fees	\$26,917.65		NA	NA	NA
Movable or Other Equipment	\$1,718,404.69		\$572,801.56	\$504,437.05	No

The applicants exceed the modernization and contingency costs by \$118.64 per GSF or \$255,432. [2,153 GSF x \$118.64 = \$255,432]

The applicants exceed the Movable or Other Equipment Standard by \$68,365 per operating room or \$205,095. [\$68,365 x 3 operating rooms = \$205,095]

The applicants stated the following:

“Although the costs are above the State Standards in accordance with RS Means Construction Costs Indexes, (the current cost per square foot standard is estimated to be \$334.23 for new construction and \$233.16 for modernization) the project at hand requires many major design complexities which increase the costs consistent with projects of similar complexity. The applicants have designed the expansion to be constructed with all of the appropriate fittings to meet the needs of the ever developing technological advances of the medical industry. During the project the facility will remain open and operational. The space to be expanded will be integrated with the existing structure, requiring the design and construction to be aligned with the current structure, increasing costs. Additional complexities that will also increase costs include the removal of an existing outside wall from the facility, installing a new HVAC unit, and maintaining the structural stability of the building at all times. As such, necessary steps are being taken to ensure patient safety throughout the expansion process, increasing project costs beyond the state standards. There are no records of recent expansion projects of existing ASTCs from which to draw a comparison of similar construction complexities.” [Source: Application for Permit page 176]

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

D) Criterion 1120.140 (d) - Direct Operating Costs

To demonstrate compliance with this criterion the applicants must document the direct operating cost per visit for the facility

The applicants are projecting \$68.47 per visit at the facility.

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

To demonstrate compliance with this criterion the applicants must document the capital cost per visit for the facility

The applicants are projecting capital cost per visit of \$37.42.

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

Reference Numbers
 Facility Id 7003023
 Health Service Area 007 Planning Service Area 043
 DMG Surgical Center, LLC
 2725 S. Technology Drive
 Lombard, IL 60148

Number of Operating Rooms 5
 Procedure Rooms 3
 Exam Rooms 0
 Number of Recovery Stations Stage 1 8
 Number of Recovery Stations Stage 2 13

Administrator Dennis Fine
Date Complete 3/20/2015

Type of Ownership
 Limited Liability Company (RA required)

Contact Person Christyne Strutynsky
Telephone 630/942-7979

Registered Agent
 Christine Taylor

HOSPITAL TRANSFER RELATIONSHIPS

Property Owner
 DuPage Medical Group

HOSPITAL NAME	NUMBER OF PATIENTS
Edward Hospital, Naperville	2
Good Samaritan Hospital, Downers Grove	10
Central DuPage Hospital, Winfield	1
Elmhurst Hospital, Elmhurst	1
	0

Legal Owner(s)

DuPage Medical Group
 Edward Hospital

STAFFING PATTERNS

PERSONNEL	FULL-TIME EQUIVALENTS
Administrator	1.00
Physicians	0.00
Nurse Anesthetists	0.00
Director of Nurses	1.00
Registered Nurses	53.00
Certified Aides	3.00
Other Health Profs.	22.00
Other Non-Health Profs	8.00
TOTAL	88.00

DAYS AND HOURS OF OPERATION

Monday	12
Tuesday	12
Wednesday	12
Thursday	12
Friday	12
Saturday	3
Sunday	0

NUMBER OF PATIENTS BY AGE GROUP

NUMBER OF PATIENTS BY PRIMARY PAYMENT SOURCE

AGE	MALE	FEMALE	TOTAL
0-14 years	604	297	901
15-44 years	1,354	1,497	2,851
45-64 years	3,775	4,060	7,835
65-74 years	1,703	1,665	3,368
75+ years	700	777	1,477
TOTAL	8,136	8,296	16,432

PAYMENT SOURCE	MALE	FEMALE	TOTAL
Medicaid	0	0	0
Medicare	1,398	1,506	2,904
Other Public	3	1	4
Insurance	6,628	6,567	13,195
Private Pay	107	222	329
Charity Care	0	0	0
TOTAL	8,136	8,296	16,432

NET REVENUE BY PAYOR SOURCE FOR FISCAL YEAR

Medicare	Medicaid	Other Public	Private Insurance	Private Pay	TOTALS	Charity Care Expense	Charity Care Expense as % of Total Net Revenue
29.7%	0.0%	0.0%	68.8%	1.6%	100.0%		
7,244,796	0	42	16,793,968	382,598	24,421,404	0	0%

OPERATING ROOM UTILIZATION FOR THE REPORTING YEAR

SURGERY AREA	TOTAL SURGERIES	SURGERY TIME (HOURS)	SURGERY PREP AND CLEAN-UP TIME (HOURS)	TOTAL SURGERY TIME (HOURS)	AVERAGE CASE TIME (HOURS)
Cardiovascular	0	0.00	0.00	0.00	0.00
Dermatology	0	0.00	0.00	0.00	0.00
Gastroenterology	0	0.00	0.00	0.00	0.00
General	1795	1,430.00	448.75	1878.75	1.05
Laser Eye	0	0.00	0.00	0.00	0.00
Neurological	0	0.00	0.00	0.00	0.00
OB/Gynecology	142	88.50	35.50	124.00	0.87
Ophthalmology	1474	811.00	368.50	1179.50	0.80
Oral/Maxillofacial	0	0.00	0.00	0.00	0.00
Orthopedic	928	1,009.25	232.00	1241.25	1.34
Otolaryngology	1459	1,393.00	364.75	1757.75	1.20
Pain Management	1046	228.25	261.50	489.75	0.47
Plastic	385	529.50	96.25	625.75	1.63
Podiatry	383	440.25	95.75	536.00	1.40
Thoracic	0	0.00	0.00	0.00	0.00
Urology	1096	1,378.00	274.00	1652.00	1.51
TOTAL	8708	7,307.75	2,177.00	9484.75	1.09

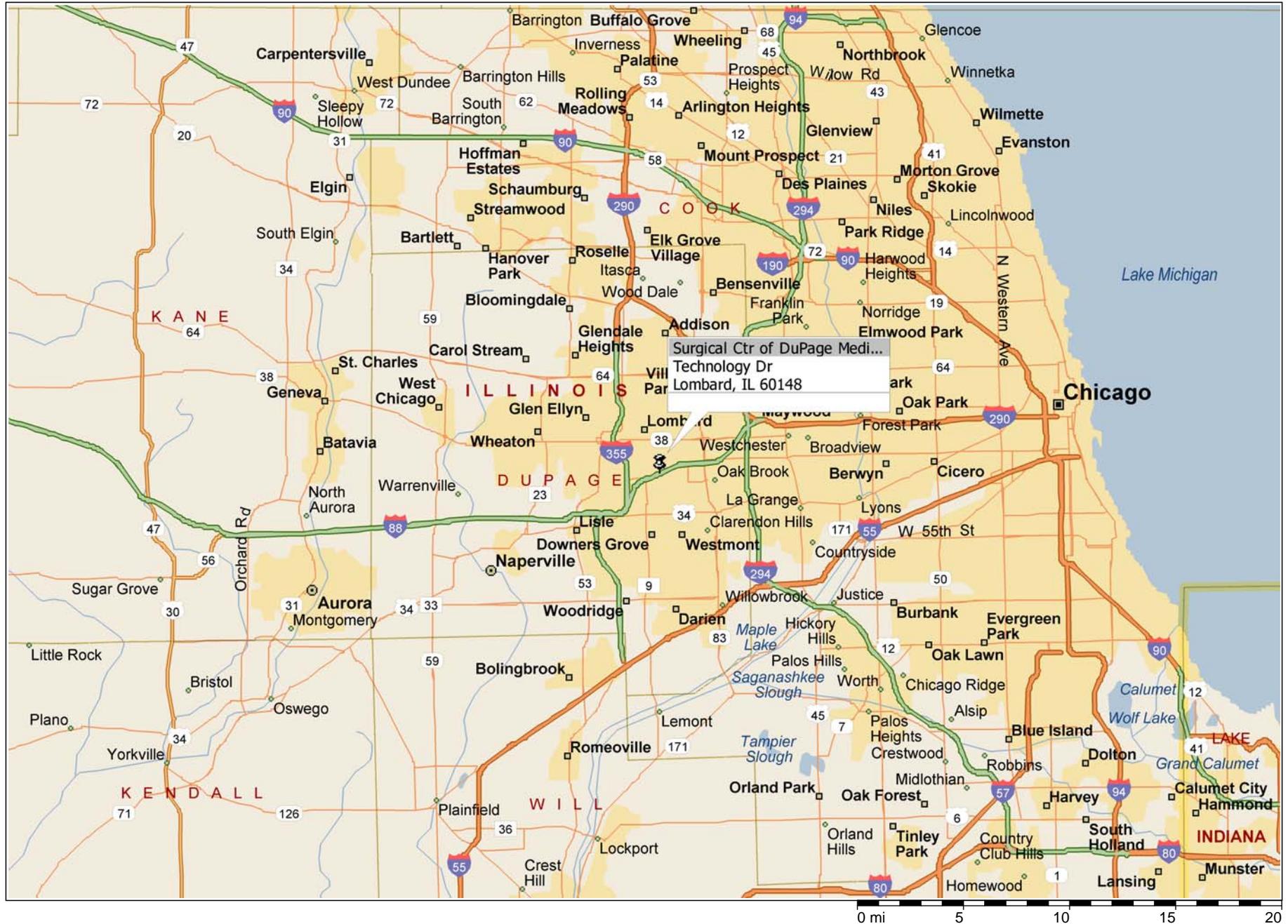
PROCEDURE ROOM UTILIZATION FOR THE REPORTING YEAR

SURGERY AREA	PROCEDURE ROOMS	TOTAL SURGERIES	SURGERY TIME (HOURS)	PREP AND CLEAN-UP TIME (HOURS)	TOTAL SURGERY TIME (HOURS)	AVERAGE CASE TIME (HOURS)
Cardiac Catheteriza	0	0	0	0	0	0.00
Gastro-Intestinal	3	7724	3148	1930.75	5078.75	0.66
Laser Eye	0	0	0	0	0	0.00
Pain Management	0	0	0	0	0	0.00
TOTALS	3	7724	3148	1930.75	5078.75	0.66

Patients by Location of Residence

Zip Code	City	County	Patients
60148	Lombard		1246
60137	Glen Ellyn		862
60540	Naperville		633
60515	Downers Grove		562
60188	Wheaton		545
60565	Naperville		545
60189	Wheaton		542
60187	Wheaton		531
60564	Naperville		478
60516	Downers Grove		475
60532	Lisle		468
60563	Naperville		437
60517	Woodridge		379
60181	Villa Park		361
60139	Glendale Heights		351
60559	Westmont		346
60103	Bartlett		319
60561	Darien		319
60185	West Chicago		307
60440	Bolingbrook		274
60126	Elmhurst		259
60108	Bloomington		253
60527	Willowbrook		233
60504	Aurora		224
60190	Winfield		208

16-028 Surgical Center of DuPage Medical Group - Lombard



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