



October 25, 2022

**VIA Email & U.S. MAIL**

Jennifer Knopp, RN  
Director of Surgical Services  
Chesapeake Eye Surgery Center  
2002 Medical Parkway, Suite 330  
Annapolis, Maryland 21401

**Re: Chesapeake Eye Surgery Center, LLC**  
**Certificate of Need Application**  
**Docket No. 22-03-2461**  
**Completeness Questions**

Dear Ms. Knopp:

Maryland Health Care Commission (Commission) staff has reviewed the Certificate of Need (CON) application from the Chesapeake Eye Surgery Center, LLC (CESC) to add one operating room (OR) to establish an Ambulatory Surgical Facility (ASF). It was determined by staff that the application submitted by CESC is outdated and does not reflect the current State Health Plan (SHP) Chapter that became effective in October 2021. The statutory revision eliminated the requirement to obtain a CON for a facility with two ORs or less, and under the current regulatory language, CESC is an Ambulatory Surgery Center (ASC-2). As an ASC-2, when adding a third OR, CESC would be establishing a new ASF, not expanding an existing facility. As a result of these issues, there are several areas in the application which were found to be incomplete and therefore staff requests that you provide responses to the following questions:

**Project Budget**

1. In the body of the application, the estimated project cost is \$530,137; in Table E: Project Budget, the estimated total project cost is \$636,164. Please explain the discrepancy.

**Response:** \$530,137 is the project's *Total Current Capital Costs*. \$636,164 is the *Project Budget Total Capital Cost*, which includes a 20% inflation allowance. CESC anticipates the project will cost \$530,137, and included the inflation allowance in the budget out of caution, considering the current economy and unpredictable cost of building materials.

**Information Regarding Charges**

2. List any complaints made the Consumer Protection Division of the Attorney General of Maryland or to the Maryland Insurance Administration about CESC. Provide detailed information on any determinations and actions taken to correct any deficiencies.

**Response:** No complaints have been made by the Consumer Protection Division of the Attorney General of Maryland or to the Maryland Insurance Administration about CESC.

3. Provide the names of the health carrier networks in which CESC currently participates and affirm that it will provide this information to the public, upon inquiry or as required by applicable regulations.

**Response:** CESC participates with health carrier networks as noted in the table below. CESC will provide this information to the public upon request, and currently makes this information available and updates as appropriate, on their website. <https://www.chesapeakeeyecare.com/for-patients/insurance-information>. See attachment for Amy Shaffer in Affirmations.

**Chesapeake Eye Surgery Center Participating Health Carriers**

Aetna	Johns Hopkins
Alterwood Advantage	Medicaid MD
Blue Cross Blue Shield	Medicare
Carefirst BCBS	Railroad Medicare
Cigna	Tricare
CHAMPVA	United Healthcare
Humana	

4. Provide the names of the health carrier networks in which each surgeon and other health care practitioner that provides services at the facility currently participates and affirm that it will provide this information to the public, upon inquiry.

**Response:** CESC participates with health carrier networks as noted in the table below. CESC will provide this information to the public upon request, and currently makes this information available and updates as appropriate on their website. <https://www.chesapeakeeyecare.com/for-patients/insurance-information>. See attachment for Amy Shaffer in Affirmations.



**Chesapeake Eye Surgery Center Participating Health Carriers**

Aetna	Johns Hopkins
Alterwood Advantage	Medicaid MD
Blue Cross Blue Shield	Medicare
Carefirst BCBS	Railroad Medicare
Cigna	Tricare
CHAMPVA	United Healthcare
Humana	

**Information Regarding Procedure Volume**

5. Provide volume information for CESC’s 10 most frequently performed procedures by surgical specialty for the last 12 months. Affirm that this list will be updated annually.

**Response:** CESC’s most frequently performed procedures by surgical specialty for the last 12 months are reflected in the table below, and CESC affirms that this list will be updated annually. See attachment for Scott Lastova in Affirmations.

**Chesapeake Eye Surgery Center  
 10 Most Frequently Performed Procedures**

Procedure	Volume
Phaco IOL w/ Femto Laser	2,042
Phaco with IOL	829
Blepharoplasty	191
Ptosis Repair	114
Mohs Reconstruction	68
Phaco IOL w/ Femto Laser/ MIG	44
Oculoplastics	38
Entropion Repair	23
Ectropion Repair	23
Phaco IOL w/ Micro Implantable Stent	20

**Charity Care**

6. Provide a written policy for the provision of charity care that includes financial assistance regarding free and reduced-cost care to uninsured, underinsured, or indigent patients and the policy shall provide ambulatory surgical services on a charitable basis to qualified persons consistent with the policy.



**Response:** See attached revised Exhibit 10 – *Charity Care Policy*

7. Identify the specific language from your policy regarding a determination of probable eligibility within two business days of request for charity or reduced fee care or application for Medicaid.

**Response:** Specific language from the policy regarding a determination of probable eligibility within two business days of request for charity or reduced fee care or application for Medicaid is located in revised Exhibit 10, *Charity Care Policy*, item 5b.

8. Quote the specific language from the policy that describes the determination of probable eligibility and give a citation to the location within the policy.

**Response:** Specific language that describes the determination of probable eligibility is referenced in the *Charity Care Policy*, 5b: *CESSC surgical coordinator will serve as liaison and will assume, based on the patient's verbal expressed request for financial assistance and or verbal indication of no insurance, that the patient is eligible for application for free or low-cost surgery through "Operation Sight". At this time the patient receives probable determination and is scheduled for surgery. The surgical scheduler shall ensure the patient receives an Operation Site Patient Application and is referred to the marketing department representative who will further assist the patient with completion and processing of the application. All probable determination for eligibility and notification shall occur within two business days.*

9. Provide a copy of your procedures, if any, and other documents that detail your process for making a determination of probable eligibility and your procedures for making a final determination.

**Response:** CESC's policies are formatted to include both policy and procedure in the same document. The *Charity Care Policy*, referenced in revised Exhibit 10, includes step-by-step procedures for processing a prospective charity care patient from point of inquiry for financial assistance through post-surgery. The procedures start on page 1 of the policy document starting with *Eligibility Criteria* and conclude with *Plan for Achieving Charity Care Goals*, page 4.



No specific documents are used for making determination of probable eligibility. The patient's word indicating financial hardship, expressed no insurance or under insured and any abridged documentation available are used in the first step for probable determination.

10. Provide copies of any application and/or other forms involved in the process for making a determination of probable eligibility within two business days.

*NOTE: Requiring a completed application with documentation for determination of probable eligibility for charity care does not comply with this standard, which is intended to ensure that a procedure is in place to inform a potential charity care/reduced fee recipient of his/her probable eligibility within two business days of initial inquiry or application for Medicaid based on a simple and expeditious process.*

*A two-step process that allows for 1) a probable determination to be communicated within two days based on an abridged set of information, followed by 2) a final determination based on a completed application with the required documentation is permissible. The policy must include the more easily navigated determination of probable eligibility. See COMAR 10.24.11.05A(3).*

**Response:** Step 1 for probable determination of eligibility, communicated within two business days, is provided on an abridged set of information and referenced in CESC's Charity Care Policy, 5b. At this first step, CESC does not require a written application or form. The *Operation Site Patient Application* included in the attached revised Exhibit 10, Charity Care Policy, is required, with supporting documentation, for final determination.

11. Identify the specific language from the policy that describes the method of implementing and provide a copy of the notice posted in the registration area and business office. Please describe the annual notice and provide a copy of it or description of it if a copy cannot be provided.

**Response:** Specific language from the policy is located in revised Exhibit 10, Charity Care Policy, items 5b, 5c, 5d and 5e. A copy of the notice is posted in the registration area, on waiting room bulletin boards and in the business office. See attached revised Exhibit 10 *Notice of Charity Care and Financial Assistance*.

*5b. CESC surgical coordinator will serve as liaison and will assume, based on the patient's verbal expressed request for financial assistance and or verbal indication of no insurance, that the patient is eligible for application for free or low-cost surgery through "Operation*



*Sight". At this time the patient receives probable determination and is scheduled for surgery. The surgical scheduler shall ensure the patient receives an Operation Site Patient Application and is referred to the marketing department representative who will further assist the patient with completion and processing of the application. All probable determination for eligibility and notification shall occur within two business days.*

*5c. Patient shall provide, with application, the required documents to support eligibility. Delays in receiving required documents may result in final determination of eligibility.*

*5d. Upon receipt of the required eligibility documents, the CESC marketing department representative will submit the patient application and required paperwork to Operation Site for a final determination and convey this information to the patient by phone, email or text (as agreed upon with patient).*

*5e. If the patient is determined ineligible for free or reduced care assistance, the patient is provided information for Medicare Enrollment. <https://www.cms.gov/medicare/cms-forms/cms-forms/downloads/cms855b.pdf>.*

12. Identify the specific language from the policy that describes the provisions for the sliding fee scale and time payment plans and provide a citation to the location within the policy where the language can be found. Your criteria shall include, at a minimum, the eligibility criteria listed in this Standard.

**Response:** Specific language from the policy is located in the attached revised Exhibit 10, Charity Care Policy, item 1b. *Persons with family income above 100 percent of the federal poverty guideline but below 200 percent of the federal poverty guideline shall be eligible for services at a discounted charge, based on a sliding scale of discounts for family income bands.*

13. Affirm that the facility will provide charitable surgical services to indigent patients that are equivalent to at least the average amount of charity care provided by ambulatory surgical facilities in the most recent year reported, measured as a percentage of total operating expenses.

**Response:** CESC shall provide charitable surgical services to indigent patients that are equivalent to at least the average amount of charity care provided by ambulatory surgical facilities in the most recent year reported, measured as a percentage of total operating expenses. As affirmed by Amy Shaffer, see attached affirmation, there is commitment to



annually meet 1% of total operating expenses. For projected project years, the charity care contribution is anticipated to be as follows. Table 3 has also been revised to reflect this commitment. See Table three, line item 1f.

Charity Care for Projected Years			
Based on 1% Total Operating Expenses			
2023	2024	2025	2026
\$60,000	\$30,000	\$45,000	\$60,000

14. Provide the most recent five years of CESC’s historical data regarding the provision of charity care.

**Response:** In 2017, Drs. Maria Scott and Heather Nesti, facilitated a campaign to provide cataract surgery to 20 people (40 eyes), free. This campaign is the model CESC is committed to repeat, annually. CESC acknowledges that its recent history for charity care has fallen short of the required minimum. Documentation of actual contribution was not available for presentation to the Commission, for this application, primarily due to how charity care cases were coded in the former practice management and billing software Allscripts. CESC is now using NextGen and ModMED and is able to standardize how charity care is captured and coded and therefore, CESC is improving the ability to monitor contributions to their projected annual goal.

**Chesapeake Eye Surgery Center Charity Care  
 Actual Contribution Available Recent 5 Years**

2018	2019	2020	2021	2022
\$600	\$600	\$2,309	\$0	\$2,045

15. Describe the plan to meet the charity care commitment. A response for demonstrating a serious "specific plan for achieving the level of charitable care provision to which it is committed" should:

- (i) Identify the specific social service organizations/agencies that an applicant has contacted or plans to contact to inform them of the availability of charity care, and;

**Response:** CESC has a collaboration history with Luminis Health (formerly Anne Arundel Medical Center) to receive non-emergency patient cases and provide free and reduced-cost care to uninsured, underinsured, and indigent persons. CESC will continue to collaborate with Luminis Health. Here is a link to an article in The Beacon, about Dr. Scott’s



commitment to provide free cataract surgery to low-income patients through their community health clinics. <https://living.aahs.org/giving/surgeon-donates-time-to-give-free-cataract-surgery-to-low-income-patients/>

### **Charity Care Action Plan**

Annually, a representative from CESC will meet with hospital administrators, community health clinic partners, nurses, social workers, and others of mutual interest to promote the program, share the policy, share their commitment, provide written materials for dissemination to patients and answer questions about patient enrollment.

Annually, a representative from CESC will meet with Anne Arundel County Department (AACD) of Health, nurses, social workers, and others of mutual interest to promote the program, share the policy, reinforce their commitment, provide written materials for dissemination to patients and answer questions about patient enrollment. CESC historically has a relationship with AACD public health nurses.

Annually, a representative from CESC will meet with Orphan Grain Train, a community volunteer network that coordinates food, clothing, medical and other needed items to people in the Annapolis area and abroad. CESC will meet with staff to promote the program and commitment to provide surgical services to persons in need. CESC historically has provided gently used surgical equipment and new and unused medical supplies for Orphan Grain Train's international and local community. In November 2022, CESC provided N95 and KN95 masks, hand sanitizer and sterilizing wipes to Orphan Grain Train.

Annually, CESC will sponsor and mobilize a community-wide campaign offering free and reduced cost eye surgery. The goal for these annual campaigns is to reach a minimum 15 patients (30 eyes). Drs. Scott and Nesti have an implementation model for this campaign and anticipate ongoing, community-wide success. Here is an article, from Ophthalmology Management, related to a former campaign effort, spearheaded by Dr. Scott. <https://www.opthalmologymanagement.com/supplements/2017/october-2017/october-2017-the-ophthalmic-asc/a-guide-for-charitable-surgeries>

Annually, CESC will publish the Charity Care program, in English and Spanish, on their website, post information and place fliers in their provider offices and publish an advertisement in the Capital Gazette, a regional paper covering the service area including Annapolis and Baltimore.





- (ii) Incorporate a real-time reporting mechanism that will alert management regarding its progress toward its charity care commitment, and a statement of what actions will then be taken.

**Response:** The reporting mechanism for documenting and monitoring progress toward plan for the charity care cases provided is the facility's practice management system, Nextgen. On demand, a report can be prepared to assess the types of cases provided and the amount of charity care provided by provider, at the center. Quarterly, the Quality Assurance and Performance Assurance Committee (QAPI) will review progress to plan (see QAPI Meeting Agenda template below) and annually report the amount of charity care provided by the center. Documentation of charity care discussion and decisions made that relate to planning, implementing and monitoring activities through the Charity Care Program are recorded and become part of the official QAPI meeting records. CESC will monitor its record keeping of charity care expenses to the indigent community and commits to meeting its most recent year reported as a percentage of total operating expenses year over year.



Quality Improvement Risk Management

**Chesapeake Eye Surgery Center**  
 2002 Medical Parkway  
 Suite 330  
 Annapolis, Maryland 21401

**QUALITY ASSURANCE/PERFORMANCE IMPROVEMENT COMMITTEE  
 MEETING AGENDA**

Meeting Date:  
 Attendees:

**Critical Issues Review**

Critical Issue	Acceptable Frequency	Occurrences	Person Responsible
Medication Errors & Narcotic Discrepancies	None		
Patient Safety	None		
Anesthesia /Surgical Error	None		
Patient Satisfaction Complaints	Undetermined		
Property Accidents	None		
OSHA Incidents	None		
Infections	None		
Anesthesia Complaints & Incidents	None		
Reportable Incidents and Events	None		

- Routine Topics to Review:
- Medication Errors
  - Patient Satisfaction Questionnaires
  - Medical Records Review
  - Infection Control
  - Anesthesia Services
  - Pharmacy
  - Quality Improvement Study
  - Incident/Accident Review
  - Risk Management
  - Patient Safety
  - Charity Care
  - Functional Safety
  - Orientation, In-Service Education and Staff Development
  - Other Business

\_\_\_\_\_  
 Signature  
 Director of Surgical Services

16. Describe how CESC is related to the Operation Sight Program.

(i) When and how did CESC become affiliated with Operation Sight?

**Response:** CESC physician Maria Scott, M.D. became involved with Operation Sight, the American Society of Cataract and Refractive Surgery (ASCRS) foundation's U.S. based



charitable cataract surgery program, in 2014 when the program first launched. Dr. Scott remains a member of ASCRS and is a founding partner of Operation Sight.

(ii) Does CESC process the applications, if not, how is this tracked?

**Response:** CESC receives a patient inquiry for Operation Sight directly from a patient or provider. Once a formal patient application is received it is forwarded to a CESC marketing representative who assists the patient process the application and ensures the required documents are attached. Once complete, the marketing representative forwards the completed application to an Operation Sight representative for processing. The CESC marketing representative monitors the application status. When a final determination is made, the representative from Operation Sight conveys this approval information to CESC's marketing representative who communicates this to the surgical coordinator, who then contacts the patient. It should be noted, that while the application is in process, the patient is already on the surgical schedule, (scheduled at time of probable determination of eligibility). This process improves the experience for the patient and prevents unnecessary delays in the patient's treatment plan.

(iii) How many CESC providers are registered to participate?

**Response:** All CESC providers are registered to participate in Operation Site. As new providers join the practice, they are registered to participate.

(iv) How is this program communicated to patients?

**Response:** Operation Sight is communicated directly to the patient by the provider or typically a surgical coordinator at the physician's office. Information about the program is also publicly posted as follows:

- On bulletin boards in patient waiting and other common patient areas at the providers office, Chesapeake Eye Care and Laser Center
- On bulletin boards in patient waiting and other common patient areas at the providers surgery center, Chesapeake Eye Surgery Center
- At provider office and surgery center business office and reception stations
- On the CESC website homepage <https://chesapeakeeyecare.com/for-patients/affordability-and-financing>
- On the CESC website cataract page <https://chesapeakeeyecare.com/services/cataract-surgery>



- On social media (Facebook) <https://www.facebook.com/ChesapeakeEyeCare/>
- Operation Sight and a link to patient inquiry form is located on the Maryland Optometric Association <https://www.marylandoptometry.org/page/LocalPublicHealth>
- Google search for “[free eye surgery in Annapolis, MD](#)” results in CESC represented as one of the first places noted in the search.
- Capital Gazette <https://www.capitalgazette.com/business/ph-ac-cn-eye-surgeries-0909-20160913-story.html>
- Luminis Health <https://living.aahs.org/giving/surgeon-donates-time-to-give-free-cataractsurgery-to-low-income-patients/>
- Provided to Anne Arundel County Department of Health

(v) How many CESC patients are served annually?

In 2017, 20 patients, 40 eyes received free or reduced care through the program. Without accurate billing data available, since changing ownership and coding variances, CESC estimates serving 3-5 cases per year for the past 5 years. CESC acknowledges that its recent history for charity care has fallen short of the required minimum. CESC is now using Nextgen and moving forward is better able to standardize how charity care is captured and coded, therefore, improving the ability to monitor contributions to their projected annual goal. With a commitment of 1% of total operating expenses annually, CESC anticipates providing approximately 30 surgeries per year, or 15 patients – 30 eyes.

(vi) Does CESC provide charitable care for any procedures outside the Operation Sight program?

**Response:** CESC does provide charitable care for procedures outside of Operation Sight. Operation Sight’s charity mission is to provide cataract surgery. If a patient presents requiring other types of surgery in which the facility is licensed to perform, such as procedures to treat glaucoma, CESC would absorb the costs for surgery and the associated supplies, and make a request to the providing anesthesia provider to also consider providing free care or reduced cost for that case. CESC tracks these cases in the practice management system, Nextgen.

### Quality of Care

17. Provide a copy of documentation from CMS that show that CESC is in compliance with the conditions of participation of the Medicare and Medicaid programs.



Jennifer Knopp, RN  
October 25, 2022  
Page 13

**Response:** CESC has a current State of Maryland Department of Health License (Non-Expiring) and current AAAHC accreditation, both representing compliance with the conditions of participation of the Medicare and Medicaid programs.



[mhcc.maryland.gov](http://mhcc.maryland.gov)

**Chesapeake Eye Surgery Center State of Maryland License**



**STATE OF MARYLAND  
MARYLAND DEPARTMENT OF HEALTH  
OFFICE OF HEALTH CARE QUALITY  
SPRING GROVE CENTER  
BLAND BRYANT BUILDING  
55 WADE AVENUE  
CATONSVILLE, MARYLAND 21228**

**License No.:** A1358

**Issued to:** Chesapeake Eye Surgery  
2002 Medical Parkway Suite 330  
Annapolis, MD 21401

**Type of Facility or Community Program:**  
**FREESTANDING AMBULATORY SURGICAL FACILITY**

**Date Issued:** July 1, 2018

**SPECIALTIES:** Ophthalmology, Otolaryngology and Plastic Surgery

Authority to operate in this State is granted to the above entity pursuant to The Health-General Article, Title 19, Subtitle 3B, Annotated Code of Maryland, including all applicable rules and regulations promulgated there under. This document is not transferable.

**Expiration:** **NON-EXPIRING**

*Patricia Tomasko May, MD*  
Executive Director

*Falsification of a license shall subject the perpetrator to criminal prosecution and the imposition of civil fines.*



## Chesapeake Eye Surgery Center AAAHC Accreditation Notification



### ACCREDITATION NOTIFICATION

July 14, 2022

Organization #	23114		
Organization Name	Chesapeake Eye Surgery Center, LLC		
Address	2002 Medical Parkway Suite 330		
City   State   Zip	Annapolis	MD	21401-7901
Decision Recipient	Mrs. Jennifer Knopp		
Survey Date	6/2/2022-6/3/2022	Type of Survey	Re-Accreditation
Accreditation Type	Full Accreditation		
Accreditation Term Begins	6/12/2022	Accreditation Term Expires	6/11/2025
Accreditation Renewal Code	C2EF95FA23114		

As an ambulatory health care organization that has undergone the AAAHC Accreditation Survey, your organization has demonstrated its substantial compliance with AAAHC Standards. The AAAHC Accreditation Committee recommends your organization for accreditation.

#### Next Steps

- Members of your organization should take time to thoroughly review your Survey Report.
  - Any standard rated less than "FC" (Fully Compliant) must be corrected promptly. Subsequent surveys by AAAHC will seek evidence that deficiencies from this survey were addressed without delay.
  - The Summary Table provides an overview of compliance for each chapter applicable to your organization.
- AAAHC Standards, policies and procedures are reviewed and revised annually. You are invited to participate in the review through the public comment process each fall. Your organization will be notified when the proposed changes are available for review. You may also check the AAAHC website in late summer for details.
- Accredited organizations are required to maintain operations in compliance with the current AAAHC Standards and policies. Updates are published annually in the AAAHC *Handbooks*. Mid-year updates are announced and posted to the AAAHC website, [www.aaahc.org](http://www.aaahc.org).
- In order to ensure uninterrupted accreditation, your organization should submit the *Application for Survey* approximately five months prior to the expiration of your term of accreditation. In states for which accreditation is mandated by law, the *Application* should be submitted six months in advance to ensure adequate time for scoping and scheduling the survey.  
**NOTE:** You will need the Accreditation Renewal Code found in the table at the beginning of this document to submit your renewal application.

#### Additional Information

*Improving health care quality through accreditation*

5250 Old Orchard RD, STE 200  
 Skokie, Illinois 60077

TEL 847.853.6060  
 FAX 847.853.5038

[www.aaahc.org](http://www.aaahc.org)  
[info@aaahc.org](mailto:info@aaahc.org)



[mhcc.maryland.gov](http://mhcc.maryland.gov)

18. Demonstrate that CESC is enrolled in the AMBULATORY SURGERY CENTER QUALITY REPORTING program, and that it has submitted its data. Here is the related website: <https://www.qualityreportingcenter.com/asc/resources/>, <https://www.qualityreportingcenter.com/asc/>

**Response:** CESC is enrolled in ASCQR Program. Below is demonstration that “All required measures were successfully submitted” for reporting period 2021 as submitted 2/2/2022. See page 17 with cover page of data report.

CESC also reports through [cdc.gov/nhsn/ambulatory-surgery/index.html](https://cdc.gov/nhsn/ambulatory-surgery/index.html) for all HCP Covid-19 vaccination safety component reporting. Also included is the Quality Reporting Center Data Results page for quarter submissions completed for CY 2022 for Covid Vaccination reporting. See page 18.





## ASCQR Submission Verification

### ASC Data Form

Page 1 of 3  
Exported 2/2/2022 12:45 PM

#### CHESAPEAKE EYE SURGERY CENTER LLC

National Provider Identification: 1346215316

Submission Period: 01/01/2022 - 05/16/2022  
With Respect to Reporting Period: 01/01/2021 - 12/31/2021  
Last Updated: 2/2/2022 12:44 PM

#### ASC

 All Measures Successfully Submitted!

Measure	Submission Status	Last Updated
ASC-9	Submitted	2/2/2022 12:42 PM
ASC-11 (Voluntary)	Submitted	2/2/2022 12:42 PM
ASC-13	Submitted	2/2/2022 12:44 PM
ASC-14	Submitted	2/2/2022 12:41 PM

#### ASC-9

Patients who had a recommended follow-up interval of at least 10 years for repeat colonoscopy documented in their colonoscopy report.

0

All patients aged 50 to 75 years of age receiving screening colonoscopy without biopsy or polypectomy.

0

What was your facility's Total Population?

0

What was your facility's sample size?

0

What was your facility's sampling frequency?

N/A

Score for this measure

**n/a** 0 0  
Numerator Denominator

Higher score is better



## Quality Reporting Center Data Results Submitted CY 2022



### Data Results Page

Results for NPI Submission: "1346215316"

#### Location Information:

CCN: 21C0001358

**CHESAPEAKE EYE SURGERY CENTER LLC**  
Address: 2002 MEDICAL PKWY SUITE 330  
City: ANNAPOLIS  
State: MD  
Zip: 21401

All measure data must be submitted in the QualityNet web-based data collection tool before data results will display as "Yes." Partial submissions will now default as "No" for all measures until all data have been submitted.

#### Web-Based Measures Information:

CCN: 21C0001358

- ASC - 9 Submitted: YES
- ASC - 11 Submitted: YES
- ASC - 13 Submitted: YES
- ASC - 14 Submitted: YES

#### COVID-19 Vaccination Coverage Among Health Care Personnel Submission by Deadline

If all months are checked for a quarter, submission is complete for that quarter. Data is submitted through the CDC NHSN.

CCN: 21C0001358

2022															
Jan	Feb	Mar	Q1	Apr	May	Jun	Q2	July	Aug	Sep	Q3	Oct	Nov	Dec	Q4
YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	NO	NO	NO

Data last updated November 01, 2022

Quarters will only show "YES" if all months in that quarter also say "YES".

Year shown is the year being reported, not the Calendar Year Payment Determination. ASC-20 data currently being collected is for Calendar Year 2024 Payment Determination.



19. As CESC is seeking to establish a new ASF, it must demonstrate that the proposed facility will meet or exceed the minimum requirements for licensure in Maryland in the areas of administration, personnel, surgical services provision, anesthesia services provision, emergency services, hospitalization, pharmaceutical services, laboratory and radiologic services, medical records, and physical environment, as described in COMAR 10.24.11.05A(4)(d). In order to fulfill this requirement, the applicant should:

- (i) Provide a description of the requirements for licensure and the steps you will take to meet:

**Response:** Upon CON approval, CESC will notify the Office of Health Care Quality and submit the CON approval letter to obtain a new license. A Licensing Survey and Life Safety survey will be requested and conducted. Medicare certification will be obtained.

CESC will demonstrate that the proposed facility will meet or exceed the minimum requirements for licensure in Maryland as exhibited with the example of the current licensure it holds presently.

See attached State of Maryland License No A1358 for Chesapeake Eye Surgery Center. Issued on July 1, 2018, with a non-expiration date.

See attached AAAHC accreditation letter issued on 6/12/2022 expiring 6/11/2025 with Full Accreditation Organization #23114.

See attached Notice of Compliance with Health Component Requirements issued on June 23, 2022.

CESC attests it shall maintain these requirements for the new CON issued as proven in these past examples given.

- (ii) Affirm that, within two years of initiating service at the facility, it will obtain accreditation by the Joint Commission, the Accreditation Association for Ambulatory Health Care, or the American Association for Accreditation of Ambulatory Surgery Facilities or another accreditation organization recognized by the Centers for Medicare and Medicaid Services as acceptable for obtaining Medicare certification and approved by the State of Maryland;



**Response:** See attached signed Affirmation from Kevin Blank, CEO. CESC affirms that they will obtain accreditation by The Accreditation Association for Ambulatory Health Care (AAAHC) in a timely manner.

(iii) Acknowledge in writing that if the facility fails to obtain the accreditation in subparagraph (ii) (above) on a timely basis, it shall voluntarily suspend operation of the facility.

**Response:** See attached written and signed Affirmation from Kevin Blank, CEO. Chesapeake Eye Surgery Center will voluntarily suspend operations of the facility if it is unable to obtain accreditation.

20. If the applicant or a related entity that currently or previously has operated or owned one or more ASCs or ambulatory surgical facilities in or outside of Maryland in the five years prior to the applicant’s filing of an application to establish an ambulatory surgical facility, then provide details regarding the quality of care provided at each such ASC or ambulatory surgical facility including information on licensure, accreditation, performance metrics, and other relevant information.

**Response:** Chesapeake Eye Surgery Center, LLC has 100% ownership of the following ASC’s. All ASCs are compliant with Medicare and Medicaid guidelines with current licensure and accreditation. The tables below illustrate those centers CESC has owned or operated in the five years prior to the CON filing and performance metrics for each center’s 2021 revenue.

**Chesapeake Eye Surgery Center, LLC – Centers**

Location	Address	State	State License	Status	AAAHC /AAAFS	Ownership >2%
Chesapeake Eye Surgery Center	2002 Medical Parkway Suite 330	MD	A1358	Current	Current	Maria C. Scott MD
Columbia Surgical Institute	6020 Meadowridge Center Drive, Suite H	MD	A1541	Current	Current	Maria C. Scott MD
Bergman Eye Surgery Center (Physicians Surgery Center)	220 Champion Drive	MD	A1482	Current	Current	Maria C. Scott MD
The Surgery Center (Maryland Eye Surgery Ctr)	800 North Prince Frederick Boulevard	MD	A1333	Current	Current	Maria C. Scott MD
Carroll County Surgery Center	410 Malcom Drive, Ste B	MD	A1394	Current	Current	Maria C. Scott MD
Baltimore Eye Surgical Center	6231 N. Charles Street, Suite 1	MD	A1403	Current	N/A	Maria C. Scott MD
Eyes of York Surgical Center	1880 Kenneth Road, Suite 2	PA	187215 01	Current	Current	Maria C. Scott MD



NEI Ambulatory Surgery Center	204 Mifflin Ave	PA	40061500	Current	Current	Maria C. Scott MD
Ophthalmic Associates Surgery & Laser Center dba Main Street ASC	1318 Eisenhower Blvd	PA	20551501	Current	Current	Maria C. Scott MD
Pennsylvania Eye Surgery Center, Inc	4100 Linglestown Rd	PA	16421500	Current	Current	Maria C. Scott MD

**Chesapeake Eye Surgery Center, LLC Maryland Centers - Performance Metrics**

Location	2021 Revenue
Chesapeake Eye Surgery Center	\$7,288,382
Columbia Surgical Institute	\$4,933,867
Bergman Eye Surgery Center (Physicians Surgery Center)	\$3,608,620
The Surgery Center (Maryland Eye Surgery Ctr)	\$4,155,799
Carroll County Surgery Center	\$2,714,126
Baltimore Eye Surgical Center	\$3,419,007
Eyes of York Surgical Center	\$3,309,130
NEI Ambulatory Surgery Center	\$7,743,160
Ophthalmic Associates Surgery & Laser Center dba Main Street ASC	\$2,706,773
Pennsylvania Eye Surgery Center, Inc	\$4,329,477

**Need - Minimum Utilization for Establishment of a New or Replacement Facility**

Under the current State Health Plan Chapter, CESC is seeking to establish a new ASF, therefore, a response to COMAR 10.24.11.05B(2) is required. Please see the Review Guide for information on how to satisfy this standard.

21. Provide a needs assessment demonstrating that each proposed operating room is likely to be utilized at optimal capacity or higher levels within three years of the initiation of surgical services at the proposed facility, consistent with Regulation .06 of the Chapter by providing the expected utilization level for each operating room for the first three years of initiating surgical services at the facility. Explain the assumptions used and reasons for changes in projected volume, if applicable.



**Response:** CESC has grown steadily and organically since opening in 2007. The stability of the center is evidenced in years 2020-2021 when elective surgeries were postponed during the COVID-19 pandemic and the surgery center was closed for three months. Also, during this period, Dr. Scott was on leave for two months, for personal reasons. These unforeseen events contributed to a dip in utilization for months April-May, 2022. Despite these setbacks, CESC quickly recovered in June 2022.

The majority of CESC’s patients are within the Annapolis and Baltimore Region. This includes Anne Arundel County, Baltimore County, Carroll County, Hartford County, Howard County, and Baltimore City. CESC projects a similar service area pattern as they expand. To illustrate where patients are located in the geographic area, the table below represents the Primary Service Area, by zip code. However, patients come from all regains of Maryland and out of state.

Primary Service Area Zip Code by Year

CY 2020			CY 2021			YTD Sep2022		
Annual Number of Cases	Zip Code	Percent Case by Area	Annual Number of Cases	Zip Code	Percent Case by Area	Annual Number of Cases	Zip Code	Percent Case by Area
441	21401	13.46%	695	21401	13.82%	505	21401	14.43%
282	21403	8.61%	438	21403	8.71%	332	21403	9.49%
189	21037	5.77%	280	21037	5.57%	173	21037	4.94%
139	21409	4.24%	204	21409	4.06%	154	21409	4.40%
119	21012	3.63%	173	21012	3.44%	131	21012	3.74%
114	21146	3.48%	159	21146	3.16%	125	21114	3.57%
92	21114	2.81%	133	21114	2.65%	116	21146	3.32%
76	21113	2.32%	106	21032	2.11%	86	21666	2.46%
69	21666	2.11%	104	20715	2.07%	80	21035	2.29%
67	21122	2.05%	104	21666	2.07%	79	21054	2.26%
64	21035	1.95%	92	21035	1.83%	70	21113	2.00%
60	21619	1.83%	89	21054	1.77%	68	21122	1.94%
59	21032	1.80%	88	21619	1.75%	59	21108	1.69%
53	21054	1.62%	84	21113	1.67%	57	20715	1.63%
51	21108	1.56%	79	21108	1.57%	51	20711	1.46%



Revised Table 1 below assumes all cases as an encounter or “patient” in the operating room. Procedures in the operating room are assumed as activities required to be performed in a sterile environment, performed in the operating room and result in a CPT or bundled billing code. With these assumptions the total procedures in the operating room reflect a slightly higher number than operating room cases. The ModMed software used to capture and analyze cases and procedures for the original Table 1 was also used to revise Table 1. To add clarity about why multiple procedures per case are captured in the operating room, take the example of cataract surgery. In the operating room a cataract may include the surgery to remove the cataract and require additional procedures deemed medically necessary or part of the procedure itself (i.e. Mydrane® injection which is an effective and safe alternative to standard eye drops for initiating and maintaining intraoperative analgesia and dilation, insertion of a stent to reduce ocular pressure, or use of ORA System™ technology used to provide detailed measurements of the patients' unique eye during cataract surgery. This allows the surgeons to tailor patients cataract surgery). In the initial application submitted, CESC did not make these assumptions clear in Table 1, and therefore did not show procedures in the operating room. Having resolved these assumptions, it is easier to explain why some cases take longer to perform, by procedure type and by provider and why the same procedures may have variable turnaround times by provider. This response will also help to answer completeness question number 28.



**Revised Table 1  
 Statistical Projections – Entire Facility by Calendar Year**

CY	Two	Most	Current	Projected Years			
	Actual Ended Years	Recent 2021	Year Projected 2022	(ending with first utilization)	full year	at full	utilization)
	2020	2021	2022	2023	2024	2025	2026
a. Number of operating rooms (ORs)	2	2	2	3	3	3	3
Total Procedures in ORs	3,325	4,323	4,517	6,538	6,603	6,669	6,736
Total Cases in ORs	2,309	3,604	3,850	5,384	5,738	5,972	6,027
Total Surgical Minutes in ORs**	41,560	56,963	79,886	144,603	160,449	170,550	172,025
b. Number of Procedure Rooms (PRs)	2	2	2	2	2	2	2
Total Procedures in PRs	1,558	3,121	3,141	4,055	4,096	4,137	4,178
Total Cases in PRs	1,558	3,121	3,141	4,055	4,096	4,137	4,178
Total Minutes in PRs**	7,790	15,605	15,704	20,277	20,480	20,684	20,891

\*Number of beds and occupancy percentage should be reported on the basis of licensed beds.

\*\*Do not include turnover time.

To further illustrate a need for the proposed operating room, the table below, Table 1a *Statistical Projections – Entire Facility with Turnaround Time* includes turnaround time. Turnaround time was assessed by using Nextgen practice management software, an electronic medical record application that captures real-time in and out time in the operating room and in and out time in procedure room.

Using this table to analyze the need for the proposed operating room captures the percent utilization for the current operating rooms as well as the proposed operating room. CESC’s data shows a progressive increase in optimal utilization, 80 percent of full capacity, which is 1,632 hours per year and include the time during which surgical procedures are being performed and room turnaround time between surgical cases.

The table shows a steady increase in case volume during the most recent three years and projected growth during project years 2023-2026, reaching a 79.8% utilization in 2025 and optimal utilization, 80 percent, by 2026. In August 2022, Dr. Luke Chang joined CESC as one





of the centers principal owners. Dr. Chang is expected to increase his case volume through the end of 2022 and into 2023. Dr. Erin Benjamin left the practice in 2020, for personal reasons.

The table on page 26 *Expected Utilization Level by Month – 2022 and Q1 2023* captures more detail of what is happening between the closing of calendar year 2022 and opening of the proposed operating room. The current caseload will increase operating room demand resulting in 100% utilization in November and December 2022 and into 2023. With the proposed operating room CESC assumes the utilization to continue an upward trend.

Adding to their caseload and utilization, CESC is in the process of recruiting 2 providers in 2024. Since these agreements are not final, CESC did not include their projections in Table 1. However, it might be assumed that each of the new providers are projected to bring a starting caseload volume similar to Dr. Chang; 38,760 minutes in 2023 and 39,149 minutes in 2024.

**Table 1a**  
**Statistical Projections – Entire Facility with Turnaround Time**

CY	Two Most Actual		Current	Projected Years			
	Ended Years	Recent	Year	(ending with first full year at full utilization)			
	2020	2021	Projected 2022	2023	2024	2025	2026
a. Number of operating rooms (ORs)	2	2	2	3	3	3	3
Total Procedures in ORs	3,325	4,323	4,517	6,538	6,603	6,669	6,736
Total Cases in ORs	2,309	3,604	3,850	5,384	5,738	5,972	6,027
Total Surgical Minutes in ORs**	103,623	141,016	149,889	207,174	223,646	234,379	236,492
b. Number of Procedure Rooms (PRs)	2	2	2	2	2	2	2
Total Procedures in PRs	1,558	3,121	3,141	4,055	4,096	4,137	4,178
Total Cases in PRs	1,558	3,121	3,141	4,055	4,096	4,137	4,178
Total Minutes in PRs**	31,160	62,420	62,816	81,107	95,576	96,532	97,497
Turn Around Time OR	62,063	84,053	70,003	62,571	63,197	63,829	64,467
Total Hours	1,727	2,350	2,498	3,453	3,727	3,906	3,942
Utilization	52.9%	72.0%	76.5%	70.5%	76.1%	79.8%	80.5%

\*Number of beds and occupancy percentage should be reported on the basis of licensed beds.

\*\*Includes turnover time.



**Expected Utilization Level by Month – 2022 and Q1 2023**

	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Benjamin, Erin	-	-	-	-	-	-	-	-
Chang, Luke	77	64	1,186	3,570	3,570	3,230	3,230	3,230
Dryjski, Olivia	1,814	1,490	1,699	1,902	2,006	1,910	1,910	1,910
Nesti, Heather	3,410	3,700	3,374	3,612	3,612	3,601	3,601	3,601
Scott, Maria	3,679	1,358	2,872	2,829	2,829	2,833	2,833	2,833
Srivastava, Gaurav	2,451	1,387	2,560	3,570	3,570	3,546	3,546	3,546
Zwick, Orin	1,958	1,820	2,223	1,890	1,890	2,146	2,146	2,146
New Provider 2024	-	-	-	-	-	-	-	-
	<b>13,388</b>	<b>9,818</b>	<b>13,914</b>	<b>17,372</b>	<b>17,476</b>	<b>17,265</b>	<b>17,265</b>	<b>17,265</b>
Rooms	2	2	2	2	2	2	2	2
Threshold Hours Per Room	136	136	136	136	136	136	136	136
<b>Total Threshold Hours</b>	<b>272</b>	<b>272</b>	<b>272</b>	<b>272</b>	<b>272</b>	<b>272</b>	<b>272</b>	<b>272</b>
<b>VIP Hours</b>	<b>223</b>	<b>164</b>	<b>232</b>	<b>290</b>	<b>291</b>	<b>288</b>	<b>288</b>	<b>288</b>
<b>Utilization</b>	<b>82.0%</b>	<b>60.2%</b>	<b>85.3%</b>	<b>106.4%</b>	<b>107.1%</b>	<b>105.8%</b>	<b>105.8%</b>	<b>105.8%</b>

22. Submit a needs assessment that includes the following:

- (i) Historic trends in the use of surgical facilities for outpatient surgical procedures by the proposed facility’s likely service area population by providing annual number of cases across multiple years and cite the data source.

**Response:** Nextgen practice management software and business analysis software ModMed were used to capture statistical projections for the proposed project for Revised Table 2.- *Statistical Projections – Proposed Project*. The proposed operating room for years projected is anticipated to reach optimal utilization, 80% of full capacity, which is 1,632 hours per year and include the time during which surgical procedures are being performed and room turnaround time between surgical cases. Below, Table 2a, *Statistical Projections – Proposed Project with Turnaround* is the same table with turnaround times included. The proposed operating room in the first year, calendar year 2023 is projected at 70.5% and steadily increases to 80.5% (optimal capacity) by calendar year 2026.



**Revised TABLE 2: STATISTICAL PROJECTIONS - PROPOSED PROJECT**

CY	Projected Years			
	(Ending with first full year at full utilization)			
	2023	2024	2025	2026
a. Number of operating rooms (ORs)	1	1	1	1
Total Procedures in ORs	2,179	2,201	2,223	2,245
Total Cases in ORs	1,795	1,913	1,991	2,009
Total Surgical Minutes in ORs**	48,201	53,483	56,850	57,342
b. Number of Procedure Rooms (PRs)	-	-	-	-
Total Procedures in PRs	-	-	-	-
Total Cases in PRs	-	-	-	-
Total Minutes in PRs**	-	-	-	-

\*Do not include turnover time

**Revised TABLE 2a: STATISTICAL PROJECTIONS - PROPOSED PROJECT WITH TURNAROUND**

CY	Projected Years			
	(Ending with first full year at full utilization)			
	2023	2024	2025	2026
a. Number of operating rooms (ORs)	1	1	1	1
Total Procedures in ORs	2,179	2,201	2,223	2,245
Total Cases in ORs	1,795	1,913	1,991	2,009
Total Surgical Minutes in ORs**	69,058	74,549	78,126	78,831
b. Number of Procedure Rooms (PRs)	-	-	-	-
Total Procedures in PRs	-	-	-	-
Total Cases in PRs	-	-	-	-
Total Minutes in PRs**	-	-	-	-

\*Includes turnover time

Turn Around Time OR	20,857	21,066	21,276	21,489
Total Hours	1,151	1,242	1,302	1,314
Utilization	70.5%	76.1%	79.8%	80.5%



The proposed operating room will support the practice by addressing several needs. These include the following.

**Demand for Operating Room Time** - Ophthalmic ambulatory surgery is unique in that immediate post-operative (the first 24-36 hours after surgery) it is imperative for a patient to be seen by the surgeon, and assessed for any number of post-operative complications such as ocular hypertension (increase eye pressure) and the position of implants (intraocular lens following cataract, shunt for glaucoma; or cornea for transplant) are in place and have not dislocated as a direct or indirect result of patient compliance. This immediate post-operative follow up is an essential component of the standards of care recommended by several professional ophthalmology associations including the American Optometric Association<sup>1</sup>. This is even more important when the patient has co-existing medical conditions that make them more vulnerable to complications. With patient safety at the forefront, ophthalmologists prefer not to perform eye surgery on Fridays or when the immediate post-operative day falls on a national holiday. However, CESC does perform surgeries on Friday and this volume contributes to the demand for operating room time. With a current utilization near optimal capacity, 80%, this leaves little to no operating room time for additional ophthalmologists, including one just starting and another slated to join the practice in 2024.

Source:<sup>1</sup> American Optometric Association, Care of the Adult Patient with Cataract, [www.aoa.org/documents/optometrists/CPG-8.pdf](http://www.aoa.org/documents/optometrists/CPG-8.pdf)

**Ageing Population** - By 2030, more than 72 million people will be over 65 year of age and the population growth of those older than 85 years is fast-growing segment.<sup>1</sup> A 2014 report, *An Aging Nation*, released by the U.S. Census Bureau, indicates Americans are living longer. While many are living healthier lives, advanced age is associated with an increased risk for a number of medical conditions, related to the eye, that include; cataract, glaucoma, macular degeneration, and retinopathy. All of these conditions rank as leading causes of loss of vision or blindness. A close look at CESC's patient demographics reveals 36.8% of the population is between the ages of 51-70 and 59.6% between the ages of 71-90.<sup>2</sup>

**CESC Patient Age Demographics**

	2020	2021	YTD Sep 2022
Greater than 90	1.8%	1.5%	1.0%
Between 71 and 90	62.2%	61.7%	59.6%
Between 51 and 70	33.8%	34.5%	36.8%
Between 31 and 50	1.7%	2.1%	2.1%
Between 18 and 30	0.5%	0.2%	0.4%
	100.0%	100.0%	100.0%



To further support a rapidly growing aging population, the table below, from a 2009 U.S. Census Bureau report projected 22% of Maryland’s population will be 60 and older by 2030.

### Projected Maryland Population

The proportion of Maryland’s population that is 60 and older is growing more rapidly than other components of the population. The U.S. Census Bureau estimates that 22 percent of Maryland’s population will be 60 and older by the year 2030, an increase of 26 percent from 2012.

### Projected Maryland Population

	2012	2020	2030
0-19 years	26.6%	18.8%	27.1%
20-39 year	27.5%	28.3%	27.5%
40-59 year	28.4%	26.5%	23.4%
60+ years	17.4%	18.8%	22.0%

Source: U.S. Census Bureau Projections, 2009

**Other Factors** – Other factors influencing the need for this project are the rise in number of persons insured through health care reform and shortage of trained ophthalmologists. Health and Human Services reported in March 2016, that an estimated 20 million people gained health insurance between 2010-2016. Since then, the American Public Health Association indicates there are about 29 million people still lacking coverage. In Maryland, around 6.5 percent of adults remain uninsured. (Source: 2021 statistics, Statista.com).

Peter McDonnell, MD, director and William Holland Wilmer professor of ophthalmology, Wilmer Eye Institute, Johns Hopkins University, stated in a December 2012 article published in Eye World, that the number of people seeking care from ophthalmologists is increasing, and at the same time, the number of ophthalmology residency training positions is not able to keep pace. He continues, “organizations are predicting a possible shortage of ophthalmologists up to 30% in the coming decade”. Dr. McDonnell’s prediction made in 2012 is realized in 2021. According to the AAMC (Association of American Medical Colleges) more than 2 out of 5 currently active physicians will be 65 or older within the next decade. Consequently, there



remains a shortage of ophthalmologists to meet the growing number of elderly patients affected by chronic and degenerative eye diseases.

Source <http://www.eyeworld.org/printarticle.php?id=6614> and <https://www.linkedin.com/pulse/worldwide-shortage-ophthalmologists-coming-years-santiago-castell%C3%B3>

With these factors combined; aging population, increased access to health care for millions of Americans, and older ophthalmologists reaching retirement at a faster pace than residents entering the field, significantly impact the demand for ophthalmology services, so is delivery of ophthalmology services through the ambulatory surgery setting. In a report to Congress, *Medicare Ambulatory Surgical Center Value-based Purchasing Implementation Plan*, Centers for Medicare documented the top twenty surgical procedures by volume (which accounted for 98.5 percent of total procedure volume), for calendar year 2009. Of the procedures noted, conditions related to eye combined constitute among the largest percent of total volume, second to gastrointestinal, with cataract removal far exceeding any single procedure volume.

Source:<sup>2</sup> U.S Census.gov

- (ii) The operating room time required for surgical cases projected at the proposed facility by surgical specialty or, if approved by Commission staff, another set of categories by providing estimated time per case and cite the data source, and

**Estimated Minutes Per Case**

Provider	Procedure Type	2023 OR Time Required (mins)	2024 OR Time Required (mins)
Maria Scott	Eye Surgery	33,991	34,331
Olivia Dryjski	Eye Surgery	22,915	23,144
Heather Nesti	Eye Surgery	43,206	43,638
Orin Zwick	Eye Surgery	25,753	26,010
Gaurav Srivastava	Eye Surgery	42,549	42,975
Luke Chang	Eye Surgery	38,760	39,148
2023 New Hire	Eye Surgery	0	14,400

Source: ModMed

- (iii) Documentation of the current surgical caseload of each physician likely to perform surgery at the proposed facility by providing each physician's current caseload, expected caseload at the proposed facility, and the referral source where these cases will transfer from. Would need to produce signed statements of intent to bring cases there and provide documented projections of volume.



**Response:** The majority of current surgical providers of CESC affirm their intention to bring the projected case volume to Chesapeake Eye Surgery Center, as noted in revised Table 1, and have provided their intent, as evidenced in the affirmation statement attached at the end of this document. See *Provider Volume Affirmations*. Dr. Gaurav Srivastava declined to sign the affirmation, at this time, while under contract negotiations with CESC. Dr. Nesti, Medical Director for CESC, provided a separate affirmation to ensure the caseload in the predicated tables for 2023-2026 are accurate and intended to be met. See Dr. Nesti’s affirmation.

Prospective patients draw from the service area, are existing patients or new from the aging area population. The closest hospital in the area is Luminis Health, providing higher risk and emergency eye surgery. CESC and Luminis Health have a long-standing relationship for partnering to ensure persons with no insurance or those under-insured receive quality care provided by CESC.

Below are two tables. *Physician Current and Expected Caseload* reflects provider surgical volume by most recent years and projected. The *Physician Current and Expected Caseload* shows the top five procedure types, by provider for years 2020-2021.

**Physician Current and Expected Caseload**

Physician Name <small>(Turnaround time included for mins)</small>	Surgical Volume Latest 2 complete years				Current Year (projected)		Projections							
	2020		2021		2022		2023		2024		2025		2026	
	Cases	Minutes	Cases	Minutes	Cases	Minutes	Cases	Minutes	Cases	Minutes	Cases	Minutes	Cases	Minutes
Maria Scott	1,198	49,778	1,703	60,330	917	31,295	984	33,991	994	34,331	1,004	34,674	1,014	35,021
Olivia Dryjski	90	4,468	129	5,940	436	17,830	600	22,915	606	23,144	612	23,376	618	23,610
Heather Nesti	588	24,994	920	34,067	1,110	38,994	1,200	43,206	1,212	43,638	1,224	44,074	1,236	44,515
Orin Zwick	344	19,161	560	27,458	522	25,139	560	25,753	566	26,010	571	26,270	577	26,533
Gaurav Srivastava	88	5,157	292	13,222	667	28,166	1,020	42,549	1,030	42,975	1,041	43,404	1,051	43,838
Prisca Diala	N/A Only Yags (Does not work in the OR)													
Luke Chang	-	-	-	-	198	8,466	1,020	38,760	1,030	39,148	1,041	39,539	1,051	39,934
2023 New Hire	-	-	-	-	-	-	-	-	300	14,400	480	23,040	480	23,040



**5 Most Frequently Performed Surgeries by Provider by Most Recent Years**

\* 5 most frequently performed surgeries, two most recent years  
 \*\* List in descending order based on the cumulative 2 year volume

Physician Name: Maria Scott

Surgical Procedure*	2020	2021
Phaco IOL w/ Femto Laser	895	1223
Phaco with IOL	283	444
Phaco IOL w/ Femto Laser/ MIG	9	16
Phaco IOL w/ Micro Implantable Stent	2	6
LRI - Limbal Relaxing Incision	-	1

Physician Name: Orin Zwick

Surgical Procedure*	2020	2021
Blepharoplasty	133	234
Ptosis Repair	46	116
Mohs Reconstruction	51	57
Oculoplastics	33	49
Entropion Repair	13	17

Physician Name: Olivia Dryjski

Surgical Procedure*	2020	2021
Phaco IOL w/ Femto Laser	44	69
Phaco with IOL	32	32
Pterygium Excision	7	8
Lesion Removal	1	4
Cornea Biopsy	-	3

Physician Name: Gaurav Srivastava

Surgical Procedure*	2020	2021
Phaco IOL w/ Femto Laser	73	227
Phaco with IOL	15	64
Phaco IOL w/Femto Laser/Goniotomy	-	1
PI - Peripheral Iridotomy Laser	7	-

Physician Name: Heather Nesti

Surgical Procedure*	2020	2021
Phaco IOL w/ Femto Laser	290	476
Phaco with IOL	188	307
Phaco IOL w/ Femto Laser/ MIG	29	35
Phaco IOL w/ Micro Implantable Stent	16	22
Aqueous Tube Shunt w/ Patch Graft	6	11

Physician Name: Luke Chang

Surgical Procedure*	-	2022
Phaco IOL w/ Femto Laser	-	16
Phaco with IOL	-	13
Phaco IOL w/ Micro Implantable Stent	-	1
Bleb-Wound Revision w/Conjunctival Advancement	-	1
MIGS-Micro Invasive Glaucoma Surgery	-	1

**Financial Feasibility**

23. Document that utilization projections are consistent with observed historic trends in use of each applicable service by the likely service area population of the facility.

**Response:** CESC confirms that utilization projections are consistent with observed historic trends in use of each applicable service by the likely service area population of the facility.

24. Document that staffing and overall expense projections are consistent with utilization projections and are based on current expenditure levels and reasonably anticipated future staffing levels as experienced by the applicant facility, or, if a new facility, the recent experience of similar facilities.

**Response:** Staffing and overall expense projections are consistent with utilization projections and are based on current expenditure levels and reasonably anticipated future staffing levels as experienced by CESC. Refer to attached Table L.

25. Document that CESC will generate excess revenues over total expenses for the specific services affected by the project (including debt service expenses and plant and equipment





depreciation), if utilization forecasts are achieved for the specific services affected by the project within five years of initiating operations.

**Response:** CESC will generate excess revenues over total expenses for the specific services affected by the project (including debt service expenses and plant and equipment depreciation), if utilization forecasts are achieved for the specific services affected by the project within five years of initiating operations. Refer to Table 3 in this document.

**Impact**

26. CESC is seeking to establish a new ASF and is required to present an impact assessment, in addition to addressing COMAR 10.24.01.08G(3)(f):

- (i) The number of surgical cases projected for the facility and for each physician and practitioner;

**Response:** Table 1 illustrates the number of surgical cases projected for facility. The table to follow is the *Physician Current and Projected Caseload* and reflects the number of projected cases for the proposed operating room.

**Revised Table 1  
 Statistical Projections – Entire Facility by Calendar Year**

CY	Two	Most	Current	Projected Years			
	Actual Ended Years	Recent	Year Projected	(ending with first full year at full utilization)			
	2020	2021	2022	2023	2024	2025	2026
a. Number of operating rooms (ORs)	2	2	2	3	3	3	3
Total Procedures in ORs	3,325	4,323	4,517	6,538	6,603	6,669	6,736
Total Cases in ORs	2,309	3,604	3,850	5,384	5,738	5,972	6,027
Total Surgical Minutes in ORs**	41,560	56,963	79,886	144,603	160,449	170,550	172,025
b. Number of Procedure Rooms (PRs)	2	2	2	2	2	2	2
Total Procedures in PRs	1,558	3,121	3,141	4,055	4,096	4,137	4,178
Total Cases in PRs	1,558	3,121	3,141	4,055	4,096	4,137	4,178
Total Minutes in PRs**	7,790	15,605	15,704	20,277	20,480	20,684	20,891

\*Number of beds and occupancy percentage should be reported on the basis of licensed beds.

\*\*Do not include turnover time.



**Physician Current and Projected Caseload**

Physician Name <small>(*Turnaround time included for mins)</small>	Surgical Volume Latest 2 complete years				Current Year (projected)		Projections							
	2020		2021		2022		2023		2024		2025		2026	
	Cases	Minutes	Cases	Minutes	Cases	Minutes	Cases	Minutes	Cases	Minutes	Cases	Minutes	Cases	Minutes
Maria Scott	1,198	49,778	1,703	60,330	917	31,295	984	33,991	994	34,331	1,004	34,674	1,014	35,021
Olivia Dryjelo	90	4,468	129	5,940	436	17,830	600	22,915	606	23,144	612	23,376	618	23,610
Heather Nesti	588	24,994	920	34,067	1,110	38,994	1,200	43,206	1,212	43,638	1,224	44,074	1,236	44,515
Orin Zwick	344	19,161	560	27,458	522	25,139	560	25,753	566	26,010	571	26,270	577	26,533
Gaurav Srivastava	88	5,157	292	13,222	667	28,166	1,020	42,549	1,030	42,975	1,041	43,404	1,051	43,838
Prisca Diala	N/A Only Yags (Does not work in the OR)													
Luke Chang	-	-	-	-	198	8,466	1,020	38,760	1,030	39,148	1,041	39,539	1,051	39,934
2023 New Hire	-	-	-	-	-	-	-	-	300	14,400	480	23,040	480	23,040

(ii) A minimum of two years of historic surgical case volume data for each physician or other practitioner, identifying each facility at which cases were performed and the average operating room time per case. Calendar year or fiscal year data may be provided if the time period is identified and is consistent for all physicians and other practitioners; and

**Response:** Below is three years of historic surgical case volume data by calendar year for each physician. All physicians provide their cases are performed at CESC. The table below indicates the average operating room time, in minutes, for the current and projected case.

**Physician Current and Projected Caseload by Year and Minutes**

Physician Name <small>(*Turnaround time included for mins)</small>	Surgical Volume Latest 2 complete years				Current Year (projected)		Projections							
	2020		2021		2022		2023		2024		2025		2026	
	Cases	Minutes	Cases	Minutes	Cases	Minutes	Cases	Minutes	Cases	Minutes	Cases	Minutes	Cases	Minutes
Maria Scott	1,198	49,778	1,703	60,330	917	31,295	984	33,991	994	34,331	1,004	34,674	1,014	35,021
Olivia Dryjelo	90	4,468	129	5,940	436	17,830	600	22,915	606	23,144	612	23,376	618	23,610
Heather Nesti	588	24,994	920	34,067	1,110	38,994	1,200	43,206	1,212	43,638	1,224	44,074	1,236	44,515
Orin Zwick	344	19,161	560	27,458	522	25,139	560	25,753	566	26,010	571	26,270	577	26,533
Gaurav Srivastava	88	5,157	292	13,222	667	28,166	1,020	42,549	1,030	42,975	1,041	43,404	1,051	43,838
Prisca Diala	N/A Only Yags (Does not work in the OR)													
Luke Chang	-	-	-	-	198	8,466	1,020	38,760	1,030	39,148	1,041	39,539	1,051	39,934
2023 New Hire	-	-	-	-	-	-	-	-	300	14,400	480	23,040	480	23,040

(iii) The proportion of case volume expected to shift from each existing facility to the proposed facility.

**Response:** No proportion of case volume is expected to shift to another facility.

27. Given that it is common for surgeons to be credentialed with more than one surgical facility or hospital, provide an assessment of the impact of the proposed project on surgical case volume at hospitals:



- (i) If the applicant’s needs assessment includes surgical cases performed by one or more physicians who currently perform cases at a hospital within the defined service area of the proposed ambulatory surgical facility that, in the aggregate, account for 18 percent or more of the operating room time in use at that hospital, the applicant shall include, as part of its impact assessment, a projection of the levels of use at the affected hospital for at least three years following the anticipated opening of the proposed ambulatory surgical facility.

**Response:** CESC’s proposed operating room will have no impact on the hospital. Typically, CESC providers have credentials at an area hospital in the event a case being performed at the surgery center requires transfer to the hospital. Since ophthalmic cases tend to be low risk, it is not likely the provider would need to transfer a patient from the surgery center to complete the case at the hospital. If a patient suffered a health condition not related to the eye surgery, the case would be completed to a point of safety and the patient would be transferred to the area hospital for medical care. Below is a list of providers and the hospital in which they are credentialed.

**Credentialing Hospital Affiliation by Physician**

<b>Provider</b>	<b>Hospital Credentials</b>
Maria C. Scott MD	Anne Arundel Medical Center
Heather Nesti MD	Anne Arundel Medical Center
Oliva Dryjski MD	Anne Arundel Medical Center
Gaurav Srivastava	Anne Arundel Medical Center
Luke Chang	Anne Arundel Medical Center

- (ii) The operating room capacity assumptions in Regulation .06A of this Chapter and the operating room inventory rules in Regulation .06C of this Chapter shall be used in the impact assessment

**Response:** CESC does not anticipate a negative impact of the proposed project on surgical case volume at hospitals. Cataract removal is one of the most common elective surgeries and increasingly provided through ambulatory surgical facilities and not hospitals. CESC has organically grown year after year and as the service area population ages. CESC projects an ability to use the projected operating room consistent with COMAR assumptions for “optimal” capacity, in the projected 4 years after receiving the CON.

**Need COMAR 10.24.01.08G(3)(b).**

- 28. Provide a more detailed explanation of the need for modernization, including the impact to the service area population.



**Response:** CESC, as with many ambulatory surgical facilities, has the capability and capacity to provide quality surgical services due in part to their ever-evolving delivery model to provide safe and cost-effective surgery. The need for modernization is imperative to maintain a facility with the capability to add service lines, recruit providers and have the ability to introduce new technology.

CESC has historically been a cataract specialty provider. As the CESC primary service area population ages (29% over age 55 reported by the U.S. Census Bureau for 2021) many are living longer healthier lives. Advanced age is associated with an increased risk for a number of medical conditions, related to the eye, that include cataract, glaucoma, macular degeneration and retinopathy. All of these conditions rank as leading causes of vision loss or blindness. Expanding CESC provides the opportunity to recruit glaucoma specialists. Recently, Dr. Luke Chang joined the practice as a glaucoma specialist and is anticipated to bring 1,020 cases to the center in 2023.

CESC is a leader in rethinking the impact of delivery on the service population. An example is through the introduction of laser technology to more precisely prepare the eye for cataract surgery. Dr. Scott was the first surgeons to perform femto no-needle, no-stitch cataract surgery in the area, and was the first surgeon to treat patients with the laser vision correction procedure in Annapolis. CESC is exploring Callisto eye®. This technology enhances the precision of intraocular lenses alignment, during cataract surgery. RxSight is also new technology designed to customize the intraocular lens to the patient's exact preferences after cataract surgery has been performed.

It is worth mentioning that the COVID-19 pandemic informed how managers and planners for the center are thinking about overall facility design and will use lessons learned to inform the approach for expansion. At one point during the pandemic, the center was closed for three months. Once opened, it did so with mandated safety restrictions. These restrictions included fewer cases with longer turnover times to allow operating rooms additional time to "air out" between cases. Safe distancing practices were also implemented. These additional processes, that are not routine safety measures required for licensure or accreditation, were non-the-less required during this re-open period. These events influence how modernization impacts design. For example, open spaces in reception areas and sectioning areas allows for both privacy and safe distancing. Expanded pre and postoperative areas support patient privacy, allow room for families and offers a more patient-centric experience.

## Tables 1 and 2

29. Explain why there are no procedures in ORs and no cases in procedure rooms reflected in the statistical projections for the entire facility (Table 1) and proposed project (Table 2).



**Response:** Revised Table 1 below assumes all cases as an encounter or “patient” in the operating room. Procedures in the operating room are assumed as each event “procedure” with a CPT or bundled billing code provided in the operating room. With these assumptions the total procedures in the operating room reflect a slightly higher number than operating room cases. The ModMed software used to capture and analyze cases and procedures for Table 1 was used to revise Table 1. To add clarity about why multiple procedures per case are captured in the operating room, take the example of cataract surgery. In the operating room a cataract may include the surgery to remove the cataract and require additional procedures deemed medically necessary or part of the procedure itself (i.e. MydraneÒ injection which is an effective and safe alternative to standard eye drops for initiating and maintaining intraoperative analgesia, insertion of a stent to reduce ocular pressure, or use of ORA, technology used to tell if the eye is in focus at the time of surgery). In the initial application submitted, CESC did not make these assumptions clear in the application Table 1, and therefore did not show procedures in the operating room. Having resolved these assumptions, it is easier explain why some cases take longer to perform, by procedure type and by provider and why the same procedure may require a longer turnaround time by provider. Refer to revised Table 1.

30. Provide the average turnover time for procedures performed in the ORs.

**Response:** The average turnaround time for many procedures is 25 minutes, based on the primary procedures provided at the center. Other procedure turnaround times vary from 10 to 20 minutes. A comprehensive list of turnaround time, by procedure, by provider is noted in the table below. Turnaround time was assessed by using Nextgen practice management software, an electronic medical record application that captures real-time in and out time in the operating room and in and out time in procedure room. Nextgen is capable of generating reports.



### Average Turnaround Time By Provider and Procedure Type

	Average Turnaround Time (minutes)	Femto Time (minutes)
<b>Benjamin, Erin</b>		
IOL Exchange	25	
<b>Chang, Luke</b>		
Aqueous Tube Shunt w/ Patch Graft	25	
Bleb-Wound Revision w/Conjunctival Advancement	20	
Bleb-Wound Revision with Needling	15	
MIGS-Micro Invasive Glaucoma Surgery	15	
MPD-Micropulse Diode Cyclophotocoagulation	20	
Phaco IOL w/ Femto Laser	15	14
Phaco IOL w/ Micro Implantable Stent	20	
Phaco with IOL	15	
<b>Dryjaki, Olivia</b>		
Cataract Wound Revision	15	
Conjunctival Biopsy	15	
Cornea	15	
Cornea Biopsy	15	
Corneal Transplant	25	
DMEK- Descemet's Membrane Endothelial Keratoplasty	25	
DSEK-Descemet's Stripping Endothelial Keratoplasty	25	
EDTA Chelation	15	
Excision of Conjunctival Lesion w/ Graft	15	
IOL Exchange	25	
Lesion Removal	15	
Phaco IOL w/ Femto Laser	15	11
Phaco IOL w/DMEK	15	
Phaco IOL w/DSEK	15	
Phaco IOL w/Femto Laser/Goniotomy	15	13
Phaco with IOL	15	
Pinguecula Excision	25	
Pterygium Excision	25	
Reposition of IOL	15	
<b>Neethi, Heather</b>		
Aqueous Shunt (Ahmed) w/ Scleral Reinforcement	20	
Aqueous Shunt (Baerveldt) w/Scleral Reinforcement	20	
Aqueous Tube Shunt w/ Patch Graft	25	
Bleb-Wound Revision w/Conjunctival Advancement	20	
Bleb-Wound Revision with Needling	15	
Cataract Wound Revision	15	
Fragment Removal	15	
Goniotomy	20	
IOL Exchange	20	
LRI - Limbal Relaxing Incision	15	
MIGS-Micro Implantable Glaucoma Stent with MPD	15	
MIGS-Micro Invasive Glaucoma Surgery	15	
MPD-Micropulse Diode Cyclophotocoagulation	20	
Phaco IOL w/ Femto Laser	15	10
Phaco IOL w/ Femto Laser/ MIG	15	12
Phaco IOL w/ Goniotomy	20	
Phaco IOL w/ Micro Implantable Stent	20	
Phaco IOL w/ Trabeculectomy/MMC	25	
Phaco IOL w/Aqueous Shunt with Scleral Reinforcem	20	
Phaco IOL w/Femto Laser/Goniotomy	15	10
Phaco IOL w/Femto Laser/MIG/Goniotomy/MDF	26	12
Phaco IOL w/Femto Laser/Trab/MMC	15	9
Phaco IOL w/Femto/Aqueous Shunt Scleral Reinforce	20	9
Phaco with IOL	15	
Pterygium Excision	25	
Reposition of IOL	15	
Trabeculectomy w/ MMC Possible Shunt	25	
Tube Shunt Revision	15	
Wound Revision	15	



	Average Turnaround Time (minutes)	Femto Time (minutes)
<b>Scott, Maria</b>		
Fragment Removal	15	
IOL Exchange	20	
LRI - Limbal Relaxing Incision	15	
Phaco IOL w/ Femto Laser	15	12
Phaco IOL w/ Femto Laser/ MIG	15	10
Phaco IOL w/ Goniotomy	20	
Phaco IOL w/ Micro Implantable Stent	20	
Phaco with IOL	15	
Reposition of IOL	15	
<b>Srivastava, Gaurav</b>		
Phaco IOL w/ Femto Laser	15	16
Phaco IOL w/Femto Laser/Goniotomy	15	10
Phaco with IOL	15	
<b>Zwick, Orin</b>		
Blepharoplasty	25	
Brow Ptosis Repair	20	
Chalazion Removal	15	
DCR - Dacryocystorhinostomy	25	
Direct Brow Lift	25	
Ectropion Repair	25	
Entropion Repair	25	
Gold Weight Implant	15	
Lesion Removal	15	
Mohs Reconstruction	25	
Oculoplastics	25	
Orbitotomy	20	
Probing Lacrimal System with Tube	15	
Probing of Nasal Lacrimal Duct	15	
Ptosis Repair	25	
Ptosis Repair- External Levator	15	
Ptosis Repair-Tarso-Levator Resection	15	
Removal of Benign Orbital Tumor	10	
Removal of Foreign Body	10	
Repair of Brow Ptosis	10	
Take Down	15	
Tarsorrhaphy	15	

**Availability of More Cost-Effective Alternatives**

31. Provide information on the level of effectiveness or problem resolution that each alternative that was examined would be likely to achieve and the costs of each alternative.

The cost analysis should go beyond development cost to consider life cycle costs of project alternatives. This narrative should clearly convey the analytical findings and reasoning that supported the project choices made. It should demonstrate why the proposed project provides the most effective goal and objective achievement or the most effective solution



to the identified problem(s) for the level of cost required to implement the project, when compared to the effectiveness and cost of alternatives and include the alternative of providing the service through alternative existing facilities.

**Response:** CESC has initiated more cost-effective alternatives for several years and has reached an organic and natural point to justify expanding from two operating rooms to three.

CESC provides surgery Monday thru Friday 6:00am – 4:00pm (10 hours per day) at minimum 255 days per year.

One of the operational challenges CESC experiences is extending center hours beyond the current 10-hour day, on a routine basis. First, the surgical specialty ophthalmology and specifically cataract surgery (the primary surgery performed at CESC) requires a patient to meet with the surgical provider for an immediate next day (postoperative) appoint to assess eye pressure and other postoperative conditions. This requires the provider to block clinical office time to see not only these postoperative patients but also patients preparing for upcoming surgery. Scheduling clinical time at their office to see patients prevents them from scheduling surgical time.

Another constraint is extending center hours to the weekend. Providers who perform surgery on Fridays are already at their clinical offices seeing postoperative patients. Again, scheduling clinical time at their offices to see patients prevents them from being available for surgery.

Extending hours places a human resource and financial burden on the center. With nation-wide shortages in the number of available and trained health care providers (registered nurses, medical assistants, surgical technicians, sterile processors, etc.) CESC is experiencing this impact at the local level. Adding more work hours to an already limited and strained workforce tasks employee health and quality of life.

Financially, extending hours results in a financial burden for the center. The table below illustrates the cost to extend center hours from 10 to 14-hour days. The table Overtime Estimate reflects estimated pay rates only and does not include other direct or indirect expenses, fringe benefits, promotions or annual cost of living pay increases. The table illustrates estimated pay rates based on 2022 average hourly pay rates at time and one half over 40 hours.

Considering pay rates only, the additional daily salary expense to extend the center's hours, by 4 hours, would cost the center an estimated \$1,476. Assuming the facility is open 255 days per year, this would cost the center an estimated \$376,380 annually. The project proposed budget is \$530,137, which is a one-time expense, and a more cost effective and long-term solution.





**Overtime Estimate**

Position	FTE	OT Rate	Average OT Hours	Estimated Staff OT Expense
Nurse Manager	1	79.5	4	\$318
Charge Nurse	1	67.5	4	\$270
Registered Nurse	9	61.5	4	\$246
Surgical Technician	2	48	4	\$192
Sterile Processor	1	40.5	4	\$162
Receptionist	1	30	4	\$120
Laser Technician	1	42	4	\$168
TOTAL				\$1476

**Viability of the Proposal**

32. Provide audited financial statements for the past two years for all applicant entities and parent companies to demonstrate the financial condition of the entities involved and the availability of the equity contribution.

**Response:** Audited financials for 2019 and 2020 are included with this document. The Audit for 2021 is in process and is expected to be completed mid-December 2022.

If audited financial statements are not available for the entity or individuals that will provide the equity contribution, submit documentation of the financial condition of the entities and/or individuals providing the funds and the availability of such funds. Acceptable documentation is a letter signed by an independent Certified Public Accountant. Such letter shall detail the financial information considered by the CPA in reaching the conclusion that adequate funds are available.

33. Describe and document relevant community support for the proposed project.

**Response:** Chesapeake Eye Surgery Center has been a center of excellence in the Annapolis area, providing support to Anne Arundel Medical Center and the surrounding counties. Leading the area with the newest technologies in the Ophthalmology industry and passing the high quality of care to our patients. Dr. Maria Scott and Heather Nesti provide free educational seminars to community residents regarding cataract surgery and anatomy. CESC has joined the social media on Facebook posting Ophthalmology Education and Health tips. In recent years CESC has expanded its portfolio and infrastructure in the mid-Atlantic area as a premier



ophthalmology surgery center by partnering with private equity. This has made it possible to cultivate the diversity of the services provided, sharing best practices within our consortium of surgery centers and passing that along to a wider range of patients. Serving all ranges of socioeconomic backgrounds, by providing improved programs in charity care, managing care contracting, financing services and a comprehensive care plan for all patient needs. The proposed operating room will help providers and patients to complete their surgeries in a timelier manner. It will increase the opportunities for CESC to partner with community organizations including Orphan Grain Train, Luminis Health, Community Outreach, and Anne Arundel County Health Department.

34. Explain the process for completing the project design, obtaining State and local land use, environmental, and design approvals, contracting and obligating the funds within the prescribed time frame. Describe the construction process or refer to a description elsewhere in the application that demonstrates that the project can be completed within the applicable time frame(s).

**Response:** Project design will commence immediately upon approval of the Certificate of Need. The design and issuance of the bid documents will take approximately 8 weeks from start. CESC will allow 8 weeks for required permits and 4 weeks for bidding and contract negotiations. Since this is an interior renovation state, local land use or environmental approvals are not required. Actual construction time frame will take 4 months of onsite work and will be completed within 6 months from capital obligation. CESC is confident with their construction timeline and the contractors.

The capital expenditures required for this project will require no institutional financing as ownership will be paying cash for the project.

#### **Tables 3 and 4**

35. Identify whether the information in Tables 3 and 4 are calendar year or fiscal year?

**Response:** Calendar Year

36. Identify if the percentages in Section 4B of Tables 3 and 4 are patient days, visits, or procedures?

**Response:** Percent revenue share based on procedures.

37. Under the "Patient Mix" sections of these tables, Self-Pay accounts for between 36 and 40 percent of the total revenue but between one and a half and four percent of your patient



days/visits/procedures. Explain the difference or discrepancy between the percentage of total revenue and percentage of patient days/visits/procedures.

**Response:** See updated Tables 3 & 4. There is no longer a discrepancy in the original application, cataract lens and femto were being classified in our billing system, Nextgen, as “primary Payer” rather than Self-Pay. A flaw in our billing system that can be manually fixed.

Provide a detailed description of what is included in the “contractual services” on Table 4.

**Response:** Contract services in Table 4 include, Locum Tenens, Temporary Clinical Care providers (nurses, technicians, scribes), External Lab services, OD Residency stipend.

38. Provide more detail on the “Other Expenses” on lines 2.j., 4.a.6., and 4.b.6. on Table 4 are.

**Response:**

- 2.j: office expenses, medical surgical costs, marketing and professional fees
- 4.a.6: other third party payors including examples such as: VA Community Care, American Heritage, United Brotherhood Of Carpenters
- 4.b.6: other third party payors including examples such as: VA Community Care, American Heritage, United Brotherhood Of Carpenters



**Revised TABLE 3: REVENUES AND EXPENSES - ENTIRE FACILITY (including proposed project)**

CY	Two Most Actual Ended Recent Years		Current Year Projected 2022	Projected Years (ending with first full year at full utilization)			
	2020	2021		2023	2024	2025	2026
<b>1. Revenue</b>							
a. inpatient services	-	-	-	-	-	-	-
b. Outpatient services	\$9,308,610	\$13,609,049	\$14,256,033	\$19,595,500	\$20,880,500	\$21,732,000	\$21,935,000
c. Gross Patient Service Revenue	\$9,308,610	\$13,609,049	\$14,256,033	\$19,595,500	\$20,880,500	\$21,732,000	\$21,935,000
d. Allowance for Bad Debt	-	\$22,383	\$22,159	\$22,824	\$23,508	\$24,214	\$24,940
e. Contractual Allowance	\$2,424,224	\$6,298,263	\$6,267,041	\$6,728,539	\$9,299,895	\$9,678,983	\$9,770,059
f. Charity Care	\$2,309	-	\$2,045	\$63,920	\$67,995	\$70,759	\$71,583
g. Net Patient Services Revenue	\$6,882,077	\$7,288,382	\$7,944,788	\$10,780,217	\$11,489,001	\$11,958,044	\$12,068,418
h. Other Operating Revenues (Specify)	-	-	-	-	-	-	-
i. Net Operating Revenue	\$6,882,077	\$7,288,382	\$7,944,788	\$10,780,217	\$11,489,001	\$11,958,044	\$12,068,418
<b>2. Expenses</b>							
a. Salaries, Wages (including fringe benefits)	\$971,515	\$1,148,581	\$1,304,640	\$1,580,601	\$1,705,875	\$1,789,243	\$1,813,074
b. Contractual Services (facility fees)	\$169,580	\$175,529	\$165,255	\$171,243	\$176,380	\$181,671	\$187,122
c. Interest on Current Debt	-	-	-	-	-	-	-
d. Interest on Project Debt	-	-	-	-	-	-	-
e. Current Depreciation	\$163,000	\$166,000	\$166,000	\$166,000	\$166,000	\$166,000	\$166,000
f. Project Depreciation	-	-	-	\$59,200	\$59,200	\$59,200	\$59,200
g. Current Amortization	-	-	-	-	-	-	-
h. Project Amortization	-	-	-	-	-	-	-
i. Supplies (COGS)	\$2,975,490	\$3,017,349	\$2,961,710	\$4,070,992	\$4,337,952	\$4,514,853	\$4,557,026
j. Other Expenses (Specify) (Office Expense + medical surgical costs + marketing + Professional fees)	\$286,073	\$311,771	\$333,967	\$343,988	\$354,306	\$364,935	\$375,883
k. Total Operating Expenses	\$4,565,639	\$4,819,229	\$4,932,573	\$6,392,022	\$6,799,513	\$7,075,902	\$7,158,304
<b>3. Income</b>							
a. Income from Operation	\$2,316,438	\$2,469,153	\$3,012,215	\$4,388,195	\$4,689,489	\$4,882,142	\$4,910,114
b. Non-Operating Income	-	-	-	-	-	-	-
c. Subtotal	\$2,316,438	\$2,469,153	\$3,012,215	\$4,388,195	\$4,689,489	\$4,882,142	\$4,910,114
d. Income Taxes	-	-	-	-	-	-	-
e. Net Income (Loss)	\$2,316,438	\$2,469,153	\$3,012,215	\$4,388,195	\$4,689,489	\$4,882,142	\$4,910,114
<b>4. Patient Mix:</b>							
<b>A. Percent of Total Revenue</b>							
1. Medicare	40.6%	39.2%	39.2%	39.7%	39.7%	39.7%	39.7%
2. Medicaid	0.3%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%
3. Blue Cross	10.7%	13.9%	12.6%	12.4%	12.4%	12.4%	12.4%
4. Commercial Insurance	8.4%	9.4%	9.0%	8.9%	8.9%	8.9%	8.9%
5. Self-Pay	40.0%	36.8%	38.9%	38.6%	38.6%	38.6%	38.6%
6. Other (Specify)	0.0%	0.1%	-0.3%	-0.1%	-0.1%	-0.1%	-0.1%
7. TOTAL	100%	100%	100%	100%	100%	100%	100%
<b>B. Percent of Patient Days/Visits/Procedures (as applicable)</b>							
1. Medicare	37.1%	36.7%	38.3%	37.4%	37.4%	37.4%	37.4%
2. Medicaid	0.6%	0.7%	0.5%	0.6%	0.6%	0.6%	0.6%
3. Blue Cross	8.0%	10.0%	9.1%	9.0%	9.0%	9.0%	9.0%
4. Commercial Insurance	8.4%	9.5%	8.0%	8.6%	8.6%	8.6%	8.6%
5. Self-Pay	45.7%	42.8%	44.1%	44.2%	44.2%	44.2%	44.2%
6. Other (Specify)	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
7. TOTAL	100%	100%	100%	100%	100%	100%	100%



**TABLE 4: REVENUES AND EXPENSES - PROPOSED PROJECT**

CY	Projected Years			
	(Ending with first full year at full utilization)			
	2023	2024	2025	2026
<b>1. Revenues</b>				
a. Inpatient Services	-	-	-	-
b. Outpatient Services	\$6,029,385	\$6,960,167	\$7,244,000	\$7,311,667
c. Gross Patient Services Revenue	\$6,029,385	\$6,960,167	\$7,244,000	\$7,311,667
d. Allowance for Bad Debt	\$7,023	\$7,836	\$8,071	\$8,313
e. Contractual Allowance	\$2,685,704	\$3,099,998	\$3,226,328	\$3,256,686
f. Charity Care	\$19,668	\$22,665	\$23,586	\$23,861
g. Net Patient Care Service Revenues	\$3,316,990	\$3,829,667	\$3,986,015	\$4,022,806
h. Total Net Operating Revenue	\$3,316,990	\$3,829,667	\$3,986,015	\$4,022,806
<b>2. Expenses</b>				
a. Salaries, Wages, (including fringe benefits)	\$486,339	\$568,558	\$596,414	\$604,358
b. Contractual Services	\$52,690	\$58,793	\$60,557	\$62,374
c. Interest on Current Debt	-	-	-	-
d. Interest on Project Debt	-	-	-	-
e. Current Depreciation	\$51,077	\$55,333	\$55,333	\$55,333
f. Project Depreciation	\$19,733	\$19,733	\$19,733	\$19,733
g. Current Amortization	-	-	-	-
h. Project Amortization	-	-	-	-
i. Supplies	\$1,252,613	\$1,445,984	\$1,504,951	\$1,519,009
j. Other Expenses (Specify)	\$105,842	\$118,102	\$121,645	\$125,294
k. Total Operating Expenses	\$1,968,294	\$2,266,504	\$2,358,634	\$2,386,101
<b>3. Income</b>				
a. Income from Operation	\$1,348,696	\$1,563,163	\$1,627,381	\$1,636,705
b. Non-Operating Income	-	-	-	-
c. Subtotal	\$1,348,696	\$1,563,163	\$1,627,381	\$1,636,705
d. Income Taxes	-	-	-	-
e. Net Income (Loss)	\$1,348,696	\$1,563,163	\$1,627,381	\$1,636,705



4. Patient Mix:

A. Percent of Total Revenue

1. Medicare	39.7%	39.7%	39.7%	39.7%
2. Medicaid	0.5%	0.5%	0.5%	0.5%
3. Blue Cross	12.4%	12.4%	12.4%	12.4%
4. Commercial Insurance	8.9%	8.9%	8.9%	8.9%
5. Self-Pay	38.6%	38.6%	38.6%	38.6%
6. Other (Specify)	-0.1%	-0.1%	-0.1%	-0.1%
7. TOTAL	100%	100%	100%	100%

B. Percent of Patient Days/Visits/Procedures (as applicable)

1. Medicare	37.4%	37.4%	37.4%	37.4%
2. Medicaid	0.6%	0.6%	0.6%	0.6%
3. Blue Cross	9.0%	9.0%	9.0%	9.0%
4. Commercial Insurance	8.6%	8.6%	8.6%	8.6%
5. Self-Pay	44.2%	44.2%	44.2%	44.2%
6. Other (Specify)	0.1%	0.1%	0.1%	0.1%
7. TOTAL	100%	100%	100%	100%

**Impact on Existing Providers and the Health Care Delivery System**

39. Identify all sources of information and assumptions used in CESC's impact analysis with respect to demand for services, payer mix, access to service and cost to the health care delivery system including relevant populations considered, and changes in market share, with information that supports the validity of these assumptions.  
 Restate and then provide a conclusion

**Response:**

Sources of information used:

- EHR: Medflow prior to 2020; ModMed for 2020 into the future
- Billing: Allscripts prior to 2020; NextGen for 2020 into the future
- Medflow was used for doctor minutes and financials. NextGen was only used to pull our ZipCodes and locations of patients/cases.
- Used US Census data to compare our service area population and data to the overall States.
- CESC Policy manuals
- Financial data is utilized and pulled from EHR and Billing using the following:  
 EHR: Medflow prior to 2020; ModMed for 2020 into the future  
 Billing: Allscripts prior to 2020; NextGen for 2020 into the future



CESC used a variety of resources to produce the most accurate data and information for this document. Experts within the organization provided their knowledge and expertise with producing these reports and analyzing the data. All contributing individuals have provided an affirmation stating that to the best of their knowledge, the information presented is accurate.

40. Provide a payor mix analysis of all other existing health care providers that are likely to experience some impact on payer mix as a result of CESC's project.

**Response:** Impact with payer mix is minimal. On November 1, 2022 the centers for Medicare and Medicaid Services (CMS) issued a final calendar year 2023 payment regulation for ambulatory surgery centers. The rule is effective January 1, 2023. Under the final rule, ASC payment rates will be updated by 3.8 percent, a 1.1 percent increase from the previous rate. The center became eligible for Medicaid within the most recent 2 years. In the years 2023-2024 the center plans to review all of their payer contracts and renegotiate. At this time, the center is not anticipating adding new payers.

41. Provide an analysis on this project's costs to the health care delivery system.

**Response:** Most significant to the project's cost was the downtime experienced during the COVID-19 pandemic in which the center closed for three months. In 2020 operating room cases dipped to 2,309 and quickly recovered in 2021 with 3,604.

The proposed project will have a favorable impact on the local healthcare delivery system as CESC has a planned commitment to provide charity care, based on 1% of total operating expenses annually. Welcoming these cases shifts the financial burden from the hospital to CESC.

42. Provide a summary description of the impact of the proposed project on the applicant's costs and charges, consistent with the information provided in the Project Budget, the projections of revenues and expenses, and the work force information.

**Response:** Staffing and overall expense projections are consistent with utilization projections and are based on current expenditure levels and reasonably anticipated future staffing levels as experienced by CESC. Refer to Table L

CESC will generate excess revenues over total expenses for the specific services affected by the project (including debt service expenses and plant and equipment depreciation), if utilization forecasts are achieved for the specific services affected by the project within five years of initiating operations. Refer to Table 3.



Jennifer Knopp, RN  
October 25, 2022  
Page 48

CESC will see a 23% net income growth from 2020 to the end of projected 2022. This growth appears inflated due to COVID. For the entire facility including the proposed project the net income growth from 2022-2026 is projected to be 38.6%.



[mhcc.maryland.gov](http://mhcc.maryland.gov)



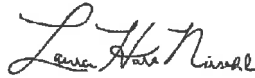
Jennifer Knopp, RN  
October 25, 2022  
Page 49

Please submit four copies of the responses to above questions and requests for additional information within ten working days of receipt. Also submit the response electronically, in both Word and PDF format, to Ruby Potter (ruby.potter@maryland.gov). If additional time is needed to prepare a response, please let me know at your earliest convenience.

As with the request itself, all information supplementing the request must be signed by person(s) available for cross-examination on the facts set forth in the supplementary information, who shall sign a statement as follows: "I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief."

Should you have any questions regarding this matter, please contact me by phone at (804) 347-6024 or by email at [laura.harel@maryland.gov](mailto:laura.harel@maryland.gov).

Sincerely,



Laura Hare Nirschl  
CON Program Manager

cc: Paul Parker, Director, Center for Health Care Facilities Planning & Development  
Wynee Hawk, Chief, Certificate of Need  
Nilesh Kalyanaraman, M.D., Health Officer, Anne Arundel County



[mhcc.maryland.gov](http://mhcc.maryland.gov)

## **TABLES AND EXHIBITS**

1. Revised Exhibit 10
  - a. Charity Care Policy
  - b. Operation Sight Application
  - c. Notice of Charity Care and Financial Assistance
  - d. Picture of Posting in Public Office Location
  
2. State of Maryland License No A1358 for Chesapeake Eye Surgery Center.
  
3. AAAHC accreditation
  
4. Notice of Compliance with Health Component Requirements
  
5. Affirmations



## Chesapeake Eye Surgery Center

### ORGANIZATIONAL POLICIES

#### Charity Care Policy and Program: Policy 2-10A

##### Patient Care Program and Procedures

###### Policy:

To provide surgical services free and reduced-cost care to uninsured, underinsured, and indigent persons through Chesapeake Eye Surgery Center, LLC. (CESC) charity care program "Operation Sight", regardless of an individual's ability to pay. This policy is aligned with the Maryland Health Care Commission and CESC's Operation Sight guidelines. CESC will routinely monitor its record keeping of charity care expenses and commits to meeting 1% of total operating expenses year over year.

###### Procedure:

###### 1. Eligibility Criteria

- a. Persons with family income below 100 percent of the current poverty level who have no health insurance coverage and are not eligible for any public program providing coverage for medical expenses shall be eligible for services free of charge.
- b. Persons with family income above 100 percent of the federal poverty guideline but below 200 percent of the federal poverty guideline shall be eligible for services at a discounted charge, based on a sliding scale of discounts for family income bands.
- c. Proof of income and verification of the number of dependents based upon the previous year's tax return must be provided. If this is not available, the last two months paycheck stubs will be accepted. Dependents must meet IRS definition of dependents to qualify as household members.
- d. Proof that medical assistance has been applied for and rejected. If the rejection is for non-compliance with all medical assistance paperwork requirements, reduced fee or charity will not be granted. If medical assistance rejection is based on income, disability, or assets, CESC will review person's medical financial assistance application and make a probable determination of eligibility within two business days of request. If the person has not yet applied for financial assistance, CESC staff will assist the person complete application or identify alternative programs such as Medicaid.

Eligibility Resource: US Department of Health and Human Services: <http://aspe.hhs.gov/poverty>

###### 2. Public Notice and Program Information

Public Notices of CESC's charity care program shall be provided to and or posted:

- On bulletin boards in patient waiting and other common patient areas at the providers office, Chesapeake Eye Care and Laser Center
- On bulletin boards in patient waiting and other common patient areas at the providers surgery center, Chesapeake Eye Surgery Center
- At provider office and surgery center business office and reception stations



## Chesapeake Eye Surgery Center

- On the CESC website homepage <https://chesapeakeeyecare.com/for-patients/affordability-and-financing>
  - On the CESC website cataract page <https://chesapeakeeyecare.com/services/cataract-surgery>
  - On social media (Facebook) <https://www.facebook.com/ChesapeakeEyeCare/>
  - Operation Sight and a link to patient inquiry form is located on the Maryland Optometric Association <https://www.marylandoptometry.org/page/LocalPublicHealth>
  - Google search for "[free eye surgery in Annapolis, MD](#)" results in CESC represented as one of the first places noted in the search.
  - Capital Gazette <https://www.capitalgazette.com/business/ph-ac-cn-eye-surgeries-0909-20160913-story.html>
  - Luminis Health <https://living.aahs.org/giving/surgeon-donates-time-to-give-free-cataractsurgery-to-low-income-patients/>
  - Provided to Anne Arundel County Department of Health
3. **Information about CESC Charity Care program shall be made available prior to a patient arrival for surgery**  
Patients presenting to the providers office directly or through referral who inquire or demonstrate need for financial assistance are provided, through the provider or surgical scheduler, prior to arrival for surgery, consolation, the policy and written information (flier and application) about CESC's Charity Care program through Operation Sight.
4. **Program Monitoring**  
CESC shall review the charity care program and monitor services provided as a standard agenda item at quarterly Quality Assurance and Performance Improvement (QAPI) meetings and reported to the governing body, annually. Data for reporting progress to goal shall be provided through the facility practice management system Nextgen, with is used to document charity care cases provided.
5. **Two-Step Approval Process**
- a. CESC provider or designated representative shall provide a written copy of the CESC's Charity Care Policy and charity care program flier "Operation Sight", prepared in English and Spanish, when a patient presents to the providers office directly or through a referral, and indicates need for financial assistance.
  - b. CESC surgical coordinator will serve as liaison and will assume, based on the patient's verbal expressed request for financial assistance and or verbal indication of no insurance, that the patient is eligible for application for free or low-cost surgery through "Operation Sight". At this time the patient receives probable determination and is scheduled for surgery. The surgical scheduler shall ensure the patient receives an *Operation Site Patient Application* and is referred to the marketing department representative who will further assist the patient with completion and processing of the application. All probable determination for eligibility and notification shall occur within two business days.



## Chesapeake Eye Surgery Center

- c. Patient shall provide, with application, the required documents to support eligibility. Delays in receiving required documents may result in final determination of eligibility.
  - d. Upon receipt of the required eligibility documents, the CESC marketing department representative will submit the patient application and required paperwork to Operation Site for a final determination and convey this information to the patient by phone, email or text (as agreed upon with patient).
  - e. If the patient is determined ineligible for free or reduced care assistance, the patient is provided information for Medicare Enrollment. <https://www.cms.gov/medicare/cms-forms/cms-forms/downloads/cms855b.pdf>
- 6. Post Approval Process**
- a. Present patient information to surgical provider and their office scheduler.
  - b. Schedule patient for a procedure evaluation with the surgical provider. Scheduling notes **MUST** include statement: "Patient is part of Operation Sight and is not financially responsible for pre-operative exam, surgery, or post operative exam." (Amend the statement if patient has partial financial responsibility per policy and eligibility criteria.)
  - c. Notify all necessary departments and appropriate personnel **BEFORE** patient preoperative exam; billing department, front desk, surgical schedulers, etc. Inform these departments and personnel of patient financial responsibility, based on eligibility criteria.
  - d. Email Clinical Director, Jennifer Knopp, once patient has preoperative exam and is scheduled for surgery.
  - e. The facility's nurse administrator shall inform clinical director that the Operation Sight patient is scheduled for surgery. **Include with communication and correspondence the surgical date, time and surgical provider name.**
  - f. The facility's nurse administrator shall contact the center's anesthesia group or provider to request their participation by providing free or low-cost care toward the Operation Sight patient's case.
- 7. Post Operative Process**
- a. The facility's nurse administrator shall email Cristin Miller, following the surgical procedure and provide with communication and correspondence; custom pack lot number, interocular lens (IOL) box and lot number, and supply list or relevant supply packages for all supplies used in the surgery.
  - b. Cristin shall submit supplies information to IOL representative Alcon to receive small stipend for surgery center.
  - c. Ask patient to consider completing the facility's Model Consent Form, allowing their feedback to post on the facility website and social media profiles.
  - d. Forward patient and or surgical provider quotes to Cristin Miller.
- 8. Plan for Achieving Charity Care Goals**
- a. Annually, a representative from CESC will meet with hospital administrators, nurses, social workers, and others of mutual interest to reinforce the program, policy, and commitment, provide written materials for dissemination to patients and answer questions about patient enrollment.



## Chesapeake Eye Surgery Center

- b. Annually, a representative from CESC will meet with Anne Arundel County Department (AACD) of Health, nurses, social workers, and others of mutual interest to reinforce the program, policy, and commitment, provide written materials for dissemination to patients and answer questions about patient enrollment. CESC historically has a relationship with AACD public health nurses.
- c. Annually, a representative from CESC will meet with Orphan Grain Train, a community volunteer network that coordinates food, clothing, medical and other needed items to people in the Annapolis area and abroad. CESC will meet with staff to reinforce the program and commitment to provide surgical services to persons in need. CESC historically has provided recycled surgical equipment and new and unused medical supplies for Orphan Grain Train's international community. Recently, CESC has provided N95 and KN95 masks, hand sanitizer and sterilizing wipes to Orphan Grain Train.
- d. Annually, CESC will sponsor a community-wide campaign offering free and reduced cost eye surgery. The goal for these annual campaigns is to reach a minimum 15 patients (30 eyes).
- e. Annually, CESC will publish the Charity Care program, in English and Spanish, on their website, post information and place fliers in their provider offices and publish an advertisement in the Capital Gazette, a regional paper covering the service area including Annapolis and Baltimore.



**Operation Sight Patient Application**



PATIENT INFORMATION:		
Name:		
Date of Birth:	Gender: <input type="checkbox"/> Female <input type="checkbox"/> Male	Marital Status: <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Divorced <input type="checkbox"/> Widowed
Current Address:		
Address 2:		
City:	State:	ZIP Code:
Home Phone:	Mobile Phone:	Email:
PATIENT EMPLOYMENT INFORMATION		
<input type="checkbox"/> Employed <input type="checkbox"/> Self Employed <input type="checkbox"/> Seasonally Employed <input type="checkbox"/> Not Employed		
Employer Name:		Occupation:
Wages/Tips (Before taxes): Hourly    Weekly    Bi-Weekly Monthly List Amount Selected: \$ _____	Average Hours Worked Per Week:	Please check this box if you did not file tax returns: <input type="checkbox"/>
Other Income <input type="checkbox"/> Unemployment: \$ _____ / week <input type="checkbox"/> Social Security: \$ _____ / month Supplemental Security Income (SSI): \$ _____ / month	<input type="checkbox"/> Pension/Retirement: \$ _____ / month <input type="checkbox"/> Child Support: \$ _____ / month <input type="checkbox"/> Other: \$ _____ / month	
HOUSEHOLD INCOME AND ADDITIONAL EMPLOYMENT INFORMATION		
(Please include income and employment information for ALL members of the household. This includes children.)		
Household Member Name (1)		Is household member a child? <input type="checkbox"/> Yes
Employer Name:		Occupation:
Wages/Tips (Before taxes): Hourly    Weekly    Bi-Weekly Monthly List Amount Selected: \$ _____	Average Hours Worked Per Week:	Please check this box if you did not file tax returns:
Other Income Unemployment: \$ _____ / week Social Security: \$ _____ / month Supplemental Security Income (SSI): \$ _____ / month	<input type="checkbox"/> Pension/Retirement: \$ _____ / month <input type="checkbox"/> Child Support: \$ _____ / month <input type="checkbox"/> Other: \$ _____ / month	
Household Member Name (2)		Is household member a child? Yes
Employer Name:		Occupation:



## OPERATION SIGHT PATIENT APPLICATION



<b>Wages/Tips (Before taxes):</b> <input type="checkbox"/> Hourly <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-Weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Yearly <b>List Amount Selected: \$ _____</b>	<b>Average Hours Worked Per Week:</b> _____	<b>Please check this box if you did not file tax returns:</b> <input type="checkbox"/>
<b>Other Income:</b> <input type="checkbox"/> Unemployment: \$ _____ / week <input type="checkbox"/> Social Security: \$ _____ / month <input type="checkbox"/> Supplemental Security Income (SSI): \$ _____ / month	<input type="checkbox"/> Pension/Retirement: \$ _____ / month <input type="checkbox"/> Child Support: \$ _____ / month <input type="checkbox"/> Other: _____ \$ _____ / month	
<b>Household Member Name (3)</b>		<b>Is household member a child?</b> <input type="checkbox"/> Yes
<b>Employer Name:</b> _____		<b>Occupation:</b> _____
<b>Wages/Tips (Before taxes):</b> <input type="checkbox"/> Hourly <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-Weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Yearly <b>List Amount Selected: \$ _____</b>	<b>Average Hours Worked Per Week:</b> _____	<b>Please check this box if you did not file tax returns:</b> <input type="checkbox"/>
<b>Other Income:</b> <input type="checkbox"/> Unemployment: \$ _____ / week <input type="checkbox"/> Social Security: \$ _____ / month <input type="checkbox"/> Supplemental Security Income (SSI): \$ _____ / month	<input type="checkbox"/> Pension/Retirement: \$ _____ / month <input type="checkbox"/> Child Support: \$ _____ / month <input type="checkbox"/> Other: _____ \$ _____ / month	
<b>Household Member Name (4)</b>		<b>Is household member a child?</b> <input type="checkbox"/> Yes
<b>Employer Name:</b> _____		<b>Occupation:</b> _____
<b>Wages/Tips (Before taxes):</b> <input type="checkbox"/> Hourly <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-Weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Yearly <b>List Amount Selected: \$ _____</b>	<b>Average Hours Worked Per Week:</b> _____	<b>Please check this box if you did not file tax returns:</b> <input type="checkbox"/>
<b>Other Income:</b> <input type="checkbox"/> Unemployment: \$ _____ / week <input type="checkbox"/> Social Security: \$ _____ / month <input type="checkbox"/> Supplemental Security Income (SSI): \$ _____ / month	<input type="checkbox"/> Pension/Retirement: \$ _____ / month <input type="checkbox"/> Child Support: \$ _____ / month <input type="checkbox"/> Other: _____ \$ _____ / month	
<b>EYE CARE SERVICES</b>		
<b>Have you received a formal cataract diagnosis?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No	<b>Which Eye:</b> <input type="checkbox"/> Right <input type="checkbox"/> Left <input type="checkbox"/> Both	<b>Last Exam Date:</b> _____
<b>Doctor Name/Location of Last Exam:</b> _____		<b>Have you been diagnosed with any other eye conditions or diseases?</b> Yes   No If Yes, please explain: _____





## OPERATION SIGHT PATIENT APPLICATION



Do you have notes from your doctor visit?  
Attached \_\_\_\_\_  
Unavailable \_\_\_\_\_

What is the maximum distance you can travel for your surgery and appointments (in miles)? \_\_\_\_\_  
*If we do not have active volunteer surgeons in your immediate area, your travel capacity may affect how quickly we are able to match you.*

### PATIENT INSURANCE STATUS

Do you have insurance?	If no, have you applied for state or county medical assistance?	Please list reason for ineligibility for state or county assistance (if applicable):
<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	

### ADDITIONAL PATIENT INFORMATION

Please tell me how you first heard of Operation Sight.

What kind of change will this procedure have on your life?

Operation Sight relies on the generosity of volunteer surgeons and donations. What would you tell someone who was trying to decide if they should volunteer or donate to this program?



## OPERATION SIGHT PATIENT APPLICATION



<p>Why do you feel it's important to have programs like Operation Sight?</p>	
<p>Would you be willing to share your responses to help raise awareness about Operation Sight?</p> <p><input type="checkbox"/> Yes, I would be willing to share my responses and disclose my name.</p> <p><input type="checkbox"/> Yes, I would be willing to share my responses, but would prefer my name to not be disclosed.</p> <p><input type="checkbox"/> No, I would not like to share my responses.</p>	
<p>Please provide any additional information about your interests, daily activities, and challenges due to eye issues. (Optional)</p>	
<p>I declare that all parts of this application are true and correct statements, to the best of my knowledge. I understand that the details of this application are solely used to determine my overall financial status and possible eligibility for Operation Sight.</p>	
<p>Signature of Applicant:</p>	<p>Date:</p>

**PLEASE SUBMIT YOUR COMPLETED APPLICATION FORM AND THE  
ADDITIONAL REQUESTED DOCUMENTATION TO  
JMINHAS@ASCRS.ORG OR BY FAX TO: 703.614.3002**



## NOTICE OF CHARITY CARE AND FINANCIAL ASSISTANCE

Chesapeake Eye Care and Laser Center and Chesapeake Eye Surgery Center partner with Operation Sight to provide surgical services free and reduced-cost care to uninsured, underinsured, and persons regardless of an individual's ability to pay.

### General Eligibility Criteria

- a. Persons with family income below 100 percent of the current poverty level who have no health insurance coverage and are not eligible for any public program providing coverage for medical expenses shall be eligible for services free of charge.
- b. Persons with family income above 100 percent of the federal poverty guideline but below 200 percent of the federal poverty guideline shall be eligible for services at a discounted charge, based on a sliding scale of discounts for family income bands.
- c. Proof of income and verification of the number of dependents based upon the previous year's tax return must be provided. If this is not available, the last two months paycheck stubs will be accepted. Dependents must meet IRS definition of dependents to qualify as household members.

To learn more about our financial assistance program or obtain a copy of our policy, ask your provider or one of our surgical coordinators. Additional information is available by calling 410-571-8733 or going to [www.ChesapeakeEyeCare.com](http://www.ChesapeakeEyeCare.com)







**STATE OF MARYLAND  
MARYLAND DEPARTMENT OF HEALTH  
OFFICE OF HEALTH CARE QUALITY  
SPRING GROVE CENTER  
BLAND BRYANT BUILDING  
55 WADE AVENUE  
CATONSVILLE, MARYLAND 21228**

**License No.:** A1358

**Issued to:** Chesapeake Eye Surgery  
2002 Medical Parkway Suite 330  
Annapolis, MD 21401

**Type of Facility or Community Program:**  
**FREESTANDING AMBULATORY SURGICAL FACILITY**

**Date Issued:** July 1, 2018

**SPECIALTIES:** Ophthalmology, Otolaryngology and Plastic Surgery

Authority to operate in this State is granted to the above entity pursuant to The Health-General Article, Title 19, Subtitle 3D, Annotated Code of Maryland, including all applicable rules and regulations promulgated there under. This document is not transferable.

**Expiration:** NON-EXPIRING

*Patricia Tomasko May, MD*  
Executive Director

*Falsification of a license shall subject the perpetrator to criminal prosecution and the imposition of civil fines.*





**ACCREDITATION NOTIFICATION**

July 14, 2022

Organization #	23114		
Organization Name	Chesapeake Eye Surgery Center, LLC		
Address	2002 Medical Parkway Suite 330		
City   State   Zip	Annapolis	MD	21401-7901
Decision Recipient	Mrs. Jennifer Knopp		
Survey Date	6/2/2022-6/3/2022	Type of Survey	Re-Accreditation
Accreditation Type	Full Accreditation		
Accreditation Term Begins	6/12/2022	Accreditation Term Expires	6/11/2025
Accreditation Renewal Code	C2EF95FA23114		

As an ambulatory health care organization that has undergone the AAAHC Accreditation Survey, your organization has demonstrated its substantial compliance with AAAHC Standards. The AAAHC Accreditation Committee recommends your organization for accreditation.

**Next Steps**

- Members of your organization should take time to thoroughly review your Survey Report.
  - Any standard rated less than "FC" (Fully Compliant) must be corrected promptly. Subsequent surveys by AAAHC will seek evidence that deficiencies from this survey were addressed without delay.
  - The Summary Table provides an overview of compliance for each chapter applicable to your organization.
- AAAHC Standards, policies and procedures are reviewed and revised annually. You are invited to participate in the review through the public comment process each fall. Your organization will be notified when the proposed changes are available for review. You may also check the AAAHC website in late summer for details.
- Accredited organizations are required to maintain operations in compliance with the current AAAHC Standards and policies. Updates are published annually in the AAAHC *Handbooks*. Mid-year updates are announced and posted to the AAAHC website, [www.aaahc.org](http://www.aaahc.org).
- In order to ensure uninterrupted accreditation, your organization should submit the *Application for Survey* approximately five months prior to the expiration of your term of accreditation. In states for which accreditation is mandated by law, the *Application* should be submitted six months in advance to ensure adequate time for scoping and scheduling the survey.  
*NOTE:* You will need the Accreditation Renewal Code found in the table at the beginning of this document to submit your renewal application.

**Additional Information**

Improving health care quality through accreditation  
 5250 Old Orchard RD, STE 200  
 Skokie, Illinois 60077  
 TEL 847.853.6060  
 FAX 847.853.9028  
[www.aaahc.org](http://www.aaahc.org)  
[info@aaahc.org](mailto:info@aaahc.org)



Jennifer Knopp, RN  
October 25, 2022  
Page 63



Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Dennis R. Schrader, Secretary

Office of Health Care Quality  
7120 Samuel Morse Drive, 2<sup>nd</sup> Floor  
Columbia, MD 21046  
410-402-8040

July 18, 2022

Jennifer Knopp, RN, Administrator  
Chesapeake Eye Surgery Center Survey  
2002 Medical Parkway, Suite 330  
Annapolis, MD 21401

**RE: NOTICE OF COMPLIANCE WITH HEALTH  
COMPONENT REQUIREMENTS  
COMPONENT REQUIREMENTS**

Dear Ms. Knopp,

On July 12, 2022, a Life Safety re-certification survey was conducted at your facility by the Office of Health Care Quality to determine if your facility was in compliance with the Federal participation requirements for an Ambulatory Surgery Center participating in the Medicare and/or Medicaid programs.

This survey found that your facility is in compliance with the health component of the requirements.

If you have any questions, please call me at (410) 402-8229.

Sincerely,

*Leon Carlton*

Leon Carlton Program Coordinator  
Office of Health Care Quality

cc: File



[mhcc.maryland.gov](http://mhcc.maryland.gov)

## **AFFIRMATIONS**

1. Amy Shaffer – Affirming Charity Care Commitment
2. Amy Shaffer – Health Care Networks Accuracy
3. Jennifer Knopp – General Affirmation
4. Scott Lastova – General Affirmation
5. Thomas Piteo – General Affirmation
6. Stephanie Blank – Existing Facility Licensure and Accreditation
7. Cristin Miller – New Facility Licensure and Accreditation
8. Kevin Blank – CEO Affirmation for New Facility Licensure and Accreditation
9. Jay Vaughn – General Affirmation
10. Providers – Intent for Projected Case Volume
11. Dr. Nesti – Intent for Projected Case Volume





AFFIRMATION

I hereby declare and affirm that Chesapeake Eye Surgery Center, LLC., a Maryland Ambulatory Surgical Facility, will monitor and report charitable services on a quarterly basis for ensured fulfillment of the requirement set forth.

Amy Shaffer   
Print Name

11-8-2022  
Date



AFFIRMATION

I hereby declare and affirm that the names of the health carrier networks in which each surgeon and other health care practitioners, who provide services at Chesapeake Eye Surgery Center, LLC., currently participates, will be provided to the public.

Amy Shaffer   
Print Name

11-8-2022  
Date



AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in the CON and application and its attachments for Chesapeake Eye surgery Center, LLC., are true and correct to the best of my knowledge, information and belief.

Jennifer Knopp *Jennifer Knopp RN* 11/1/2022  
Print Name Date



AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in the CON and application and its attachments for Chesapeake Eye surgery Center, LLC., are true and correct to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Scott Lastova

November 14 2022  
\_\_\_\_\_  
Date



AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in the CON and application and its attachments for Chesapeake Eye surgery Center, LLC., are true and correct to the best of my knowledge, information and belief.

Thomas Piteo Thomas M. Piteo  
Print Name and Signature

November 14<sup>th</sup>, 2022  
Date



**AFFIRMATION**

I hereby declare and affirm under the penalties of perjury that the facts stated in the CON and application and its attachments for Chesapeake Eye surgery Center, LLC., are true and correct to the best of my knowledge, information and belief. Chesapeake Eye Surgery Center affirms that within two years of initiating services at the facility it will obtain accreditation with Accreditation Association for Ambulatory Health Care recognized by the Centers for Medicare and Medicaid Services as acceptable for obtaining Medicare certification and approved by the State of Maryland and acknowledges if the facility fails to obtain the accreditation in a timely basis, it shall voluntarily suspend operation of the facility.

*Stephanie Blank*



**AFFIRMATION**

I hereby declare and affirm under the penalties of perjury that the facts stated in the CON and application and its attachments for Chesapeake Eye surgery Center, LLC., are true and correct to the best of my knowledge, information and belief. Chesapeake Eye Surgery Center affirms that within two years of initiating services at the facility it will obtain accreditation with Accreditation Association for Ambulatory Health Care recognized by the Centers for Medicare and Medicaid Services as acceptable for obtaining Medicare certification and approved by the State of Maryland and acknowledges if the facility fails to obtain the accreditation in a timely basis, it shall voluntarily suspend operation of the facility.

*Cristin Miller*



**AFFIRMATION**

I hereby declare and affirm under the penalties of perjury that the facts stated in the CON and application and its attachments for Chesapeake Eye surgery Center, LLC., are true and correct to the best of my knowledge, information and belief. Chesapeake Eye Surgery Center affirms that within two years of initiating services at the facility it will obtain accreditation with Accreditation Association for Ambulatory Health Care recognized by the Centers for Medicare and Medicaid Services as acceptable for obtaining Medicare certification and approved by the State of Maryland and acknowledges if the facility fails to obtain the accreditation in a timely basis, it shall voluntarily suspend operation of the facility.

  
\_\_\_\_\_  
Signature

11/2/2022  
Date





AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in the CON and application and its attachments for Chesapeake Eye surgery Center, LLC, are true and correct to the best of my knowledge, information and belief.

James T. Vaughn, III  
Print Name



11/10/2022  
Date



Provider Volume Affirmations

November 10, 2022

Upon review of the below projected surgical case volume, for calendar years 2023-2026, it is my intention to bring this case volume to Chesapeake Eye Surgery Center, LLC.

Luke Chang	 _____ Signature
Olivia Dryjski	 _____ Signature
Heather Nesti	 _____ Signature
Maria Scott	 _____ Signature
Orin Zwick	 _____ Signature

	CY23	CY24	CY25	CY26
Chang, Luke	1,020	1,030	1,041	1,051
Dryjski, Olivia	600	606	612	618
Nesti, Heather	1,200	1,212	1,224	1,236
Scott, Maria	984	994	1,004	1,014
Srivastava, Gaurav	1,020	1,030	1,041	1,051
Zwick, Orin	560	566	571	577
	<b>5,384</b>	<b>5,738</b>	<b>5,972</b>	<b>6,027</b>



Dr. Nesti Volume Affirmation

I hereby declare and affirm under the penalties of perjury that the volumes stated in the table below for Chesapeake Eye surgery Center, LLC., is true and correct to the best of my knowledge, information, and belief. I as the Medical Director will assure the numbers in the predicted tables for 2023-2026 will be accurate and upheld by the providers of Chesapeake Eye Surgery Center. At this time Dr. Srivastava is currently under contract negotiations and will not sign his affirmation due to time restraints I affirm these numbers to be correct

  
\_\_\_\_\_  
Print Name

11/14/22  
\_\_\_\_\_  
Date

	CY23	CV24	CY25	CV26
Chang, Luke	1,020	1,030	1,041	1,051
Dryjski, Olivia	600	606	612	618
Nesti, Heather	1,200	1,212	1,224	1,236
Scott, Maria	984	994	1,004	1,014
Srivastava, Gaurav	1,020	1,030	1,041	1,051
Zwick, Orlin	560	566	571	
	5,384	5,738	5,972	6,027





**TABLE G. REVENUES & EXPENSES, UNINFLATED - ENTIRE FACILITY**

**INSTRUCTION:** Complete this table for the entire facility, including the proposed project. Table G should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table F and with the costs of Manpower listed in Table L. Manpower. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Specify the sources of non-operating income.

Indicate CY or FY	Two Most Recent Years (Actual)			Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.					
	CY2020	CY2021	CY2022		CY2023	CY2024	CY2025	CY2026		
<b>4. PATIENT MIX</b>										
<b>a. Percent of Total Revenue</b>										
1) Medicare	40.6%	39.2%	39.2%	39.7%	39.7%	39.7%	39.7%	39.7%		
2) Medicaid	0.3%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%		
3) Blue Cross	10.7%	13.9%	12.6%	12.4%	12.4%	12.4%	12.4%	12.4%		
4) Commercial Insurance	8.4%	9.4%	9.0%	8.9%	8.9%	8.9%	8.9%	8.9%		
5) Self-pay	40.0%	36.8%	38.9%	38.6%	38.6%	38.6%	38.6%	38.6%		
6) Other	0.0%	0.1%	-0.3%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%		
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>b. Percent of Equivalent Inpatient Days</b>										
1) Medicare	37.1%	36.7%	38.3%	37.4%	37.4%	37.4%	37.4%	37.4%		
2) Medicaid	0.6%	0.7%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%		
3) Blue Cross	8.0%	10.0%	9.1%	9.0%	9.0%	9.0%	9.0%	9.0%		
4) Commercial Insurance	8.4%	9.5%	8.0%	8.6%	8.6%	8.6%	8.6%	8.6%		
5) Self-pay	45.7%	42.8%	44.1%	44.2%	44.2%	44.2%	44.2%	44.2%		
6) Other	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%		
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>

**TABLE H. REVENUES & EXPENSES, INFLATED - ENTIRE FACILITY**

**INSTRUCTION:** Complete this table for the entire facility, including the proposed project. Table H should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table F. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

3% Inflation Increase Assumption for Projected Years	Two Most Recent Years (Actual)	Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.				
Indicate CY or FY	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025	CY2026
<b>1. REVENUE</b>							
a. Inpatient Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Outpatient Services	\$ 9,308,610	\$ 13,609,049	\$ 14,256,033	\$ 20,183,365	\$ 21,506,915	\$ 22,383,960	\$ 22,593,050
<b>Gross Patient Service Revenues</b>	<b>\$ 9,308,610</b>	<b>\$ 13,609,049</b>	<b>\$ 14,256,033</b>	<b>\$ 20,183,365</b>	<b>\$ 21,506,915</b>	<b>\$ 22,383,960</b>	<b>\$ 22,593,050</b>
c. Allowance For Bad Debt	\$ -	\$ 22,383	\$ 22,159	\$ 23,508	\$ 24,214	\$ 24,940	\$ 25,688
d. Contractual Allowance	\$ 2,424,224	\$ 6,298,283	\$ 6,287,041	\$ 8,990,395	\$ 9,578,995	\$ 9,969,352	\$ 10,063,161
e. Charity Care	\$ 2,309	\$ -	\$ 2,045	\$ 65,838	\$ 70,035	\$ 72,882	\$ 73,730
<b>Net Patient Services Revenue</b>	<b>\$ 6,882,077</b>	<b>\$ 7,288,382</b>	<b>\$ 7,944,788</b>	<b>\$ 11,103,624</b>	<b>\$ 11,833,672</b>	<b>\$ 12,316,786</b>	<b>\$ 12,430,470</b>
f. Other Operating Revenues (Specify/add rows if needed)							
<b>NET OPERATING REVENUE</b>	<b>\$ 6,882,077</b>	<b>\$ 7,288,382</b>	<b>\$ 7,944,788</b>	<b>\$ 11,103,624</b>	<b>\$ 11,833,672</b>	<b>\$ 12,316,786</b>	<b>\$ 12,430,470</b>
<b>2. EXPENSES</b>							
a. Salaries & Wages (including benefits)	\$ 971,515	\$ 1,148,581	\$ 1,304,640	\$ 1,628,019	\$ 1,756,845	\$ 1,842,920	\$ 1,867,466
b. Contractual Services	\$ 169,560	\$ 175,529	\$ 166,295	\$ 176,380	\$ 181,671	\$ 187,122	\$ 192,735
c. Interest on Current Debt							
d. Interest on Project Debt							
e. Current Depreciation	\$ 163,000	\$ 166,000	\$ 166,000	\$ 166,000	\$ 166,000	\$ 166,000	\$ 166,000
f. Project Depreciation				\$ 59,200	\$ 59,200	\$ 59,200	\$ 59,200
g. Current Amortization							
h. Project Amortization							
i. Supplies	\$ 2,975,490	\$ 3,017,349	\$ 2,961,710	\$ 4,193,122	\$ 4,468,091	\$ 4,650,299	\$ 4,693,737
j. Other Expenses (Office Expense + medical surgical costs + marketing + Professional fees)	\$ 286,073	\$ 311,771	\$ 333,967	\$ 354,306	\$ 364,935	\$ 375,883	\$ 387,160
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,565,639</b>	<b>\$ 4,819,229</b>	<b>\$ 4,932,673</b>	<b>\$ 6,577,027</b>	<b>\$ 6,996,742</b>	<b>\$ 7,281,423</b>	<b>\$ 7,366,298</b>
<b>3. INCOME</b>							
a. Income From Operation	\$ 2,316,438	\$ 2,489,153	\$ 3,012,215	\$ 4,526,597	\$ 4,836,929	\$ 5,035,362	\$ 5,064,173
b. Non-Operating Income							
<b>SUBTOTAL</b>	<b>\$ 2,316,438</b>	<b>\$ 2,489,153</b>	<b>\$ 3,012,215</b>	<b>\$ 4,526,597</b>	<b>\$ 4,836,929</b>	<b>\$ 5,035,362</b>	<b>\$ 5,064,173</b>
c. Income Taxes							
<b>NET INCOME (LOSS)</b>	<b>\$ 2,316,438</b>	<b>\$ 2,489,153</b>	<b>\$ 3,012,215</b>	<b>\$ 4,526,597</b>	<b>\$ 4,836,929</b>	<b>\$ 5,035,362</b>	<b>\$ 5,064,173</b>

**TABLE H. REVENUES & EXPENSES, INFLATED - ENTIRE FACILITY**

**INSTRUCTION:** Complete this table for the entire facility, including the proposed project. Table H should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table F. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

3% Inflation Increase Assumption for Projected Years	Two Most Recent Years (Actual)	Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.						
Indicate CY or FY	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025	CY2026		
<b>4. PATIENT MIX</b>									
<b>a. Percent of Total Revenue</b>									
1) Medicare	40.6%	39.2%	39.2%	39.7%	39.7%	39.7%	39.7%		
2) Medicaid	0.3%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%		
3) Blue Cross	10.7%	13.9%	12.6%	12.4%	12.4%	12.4%	12.4%		
4) Commercial Insurance	8.4%	9.4%	9.0%	8.9%	8.9%	8.9%	8.9%		
5) Self-pay	40.0%	36.8%	38.9%	38.6%	38.6%	38.6%	38.6%		
6) Other	0.0%	0.1%	-0.3%	-0.1%	-0.1%	-0.1%	-0.1%		
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>b. Percent of Equivalent Inpatient Days</b>									
<b>Total MSGA</b>									
1) Medicare	37.1%	36.7%	38.3%	37.4%	37.4%	37.4%	37.4%		
2) Medicaid	0.6%	0.7%	0.5%	0.6%	0.6%	0.6%	0.6%		
3) Blue Cross	8.0%	10.0%	9.1%	9.0%	9.0%	9.0%	9.0%		
4) Commercial Insurance	8.4%	9.5%	8.0%	8.6%	8.6%	8.6%	8.6%		
5) Self-pay	45.7%	42.8%	44.1%	44.2%	44.2%	44.2%	44.2%		
6) Other	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%		
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>

**TABLE L. WORKFORCE INFORMATION**

**INSTRUCTION:** List the facility's existing staffing and changes required by this project. Include all major job categories under each heading provided in the table. The number of Full Time Equivalents (FTEs) should be calculated on the basis of 2,080 paid hours per year equals one FTE. In an attachment to the application, explain any factor used in converting paid hours to worked hours. Please ensure that the projections in this table are consistent with expenses provided in uninflated projections in Tables F and G.

Job Category	Current Year FTEs	Average Salary per FTE	Current Year Total Cost	PROJECTED CHANGES AS A RESULT OF THE PROPOSED PROJECT THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)			OTHER EXPECTED CHANGES IN OPERATIONS THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)			PROJECTED ENTIRE FACILITY THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS) *	
				FTEs	Average Salary per FTE	Total Cost	FTEs	Average Salary per FTE	Total Cost	FTEs	Total Cost
<p><b>FTE Salary Costs do NOT include benefits (insurance, 401k, etc) or Payroll Taxes. They also do NOT account for wage inflation or any annual salary % increases (in our 2023-2026 P&amp;L we project 3% annual salaries and wage increases)</b></p>											
<b>CURRENT ENTIRE FACILITY</b>											
<b>PROJECTED CHANGES AS A RESULT OF THE PROPOSED PROJECT THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)</b>											
<b>OTHER EXPECTED CHANGES IN OPERATIONS THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)</b>											
<b>PROJECTED ENTIRE FACILITY THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS) *</b>											
<b>1. Regular Employees</b>											
Administration (List general categories, add rows if needed)											
Clinic Manager	1.0	\$41,000	\$41,000			\$0			\$0	1.0	\$41,000
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
<b>Total Administration</b>			\$41,000			\$0			\$0	0.0	\$41,000
Direct Care Staff (List general categories, add rows if needed)											
Registered Nurse	12.0	\$59,495	\$713,940	2.0	\$59,495	\$118,990			\$0	14.0	\$832,930
Surgical Scrub Tech	5.0	\$41,571	\$207,855	1.0	\$41,571	\$41,571			\$0	6.0	\$249,426
Surgical Tech	2.0	\$41,000	\$82,000			\$0			\$0	2.0	\$82,000
			\$0			\$0			\$0	0.0	\$0
<b>Total Direct Care</b>			\$1,003,795			\$160,561			\$0	0.0	\$1,164,356
Support Staff (List general categories, add rows if needed)											
Front Desk	1.0	\$38,358	\$38,358			\$0			\$0	1.0	\$38,358
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
<b>Total Support</b>			\$38,358			\$0			\$0	0.0	\$38,358
<b>REGULAR EMPLOYEES TOTAL</b>			\$1,083,153			\$0			\$0	0.0	\$1,243,714





**Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants**

**Chesapeake Eye Care Holdco, LLC and  
Subsidiaries**

**December 31, 2019 and 2018**

**Contents**

	<b>Page</b>
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Consolidated Balance Sheets	5
Consolidated Statements of Operations	6
Consolidated Statements of Changes in Members' Equity	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9

---

**GRANT THORNTON LLP**

111 S. Calvert Street, Suite 2320  
Baltimore, MD 21202

**D** +1 410 685 4000

**F** +1 410 837 0587

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

### Members

Chesapeake Eye Care Holdco, LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of Chesapeake Eye Care Holdco, LLC and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chesapeake Eye Care Holdco, LLC and Subsidiaries and subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

Baltimore, Maryland  
May 29, 2020

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**CONSOLIDATED BALANCE SHEETS**

**December 31,**

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,934,310	\$ 1,882,064
Patient receivables, net of allowance for doubtful accounts of \$253,137 and \$248,455	4,689,798	2,793,872
Supplies	1,446,282	363,745
Prepays and other current assets	1,516,677	753,809
Total current assets	11,587,067	5,793,490
<b>OTHER ASSETS</b>		
Property and equipment, net	8,435,183	5,074,213
Goodwill, net	112,891,143	80,237,199
Other intangibles, net	11,241,667	10,621,149
Equity investment	11,300,000	-
Other assets	1,050,894	379,056
Total other assets	144,918,887	96,311,617
Total assets	\$ 156,505,954	\$ 102,105,107
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 894,209	\$ 504,571
Accounts payable	7,790,303	3,559,184
Accrued expenses	8,398,882	2,520,877
Other current liabilities	176,247	64,856
Total current liabilities	17,259,641	6,649,488
Long-term debt, net of current portion	95,023,682	56,749,682
Earnout liability	13,470,153	8,145,478
Other liabilities	536,401	362,501
Total liabilities	126,289,877	71,907,149
<b>MEMBERS' EQUITY</b>		
Members' paid-in-capital	65,694,095	47,058,530
Members' deficit	(35,478,018)	(16,860,572)
Total members' equity	30,216,077	30,197,958
Total liabilities and members' equity	\$ 156,505,954	\$ 102,105,107

The accompanying notes are an integral part of these consolidated financial statements.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

Years ended December 31,

	<b>2019</b>	<b>2018</b>
<b>Revenue</b>		
Patient service revenues, net of contractual adjustments	\$ 91,300,572	\$ 39,893,033
Other revenue	1,306,387	177,000
Total revenue	92,606,959	40,070,033
<b>Operating expenses</b>		
Compensation and benefits	40,996,220	18,260,867
Medical supplies	28,592,720	9,174,327
Selling, general and administrative	7,934,279	4,271,142
Facility	6,569,894	2,546,149
Depreciation and amortization	13,893,410	8,585,824
Total operating expenses	97,986,523	42,838,309
Operating loss	(5,379,564)	(2,768,276)
<b>Other expense (income)</b>		
Interest expense	7,347,756	4,729,694
Income tax (benefit) expense	(6,536)	404,758
Change in fair value of earn out liability	4,075,110	220,000
Income from equity method investment	(909,825)	-
Transaction fees	2,731,377	3,881,010
Total other expense	13,237,882	9,235,462
<b>NET LOSS</b>	<b>\$ (18,617,446)</b>	<b>\$ (12,003,738)</b>

The accompanying notes are an integral part of these consolidated financial statements.

Chesapeake Eye Care Holdco, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended December 31,

	<u>Members' paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
<b>Balance at January 1, 2018, as restated</b>	\$ 34,578,595	\$ (4,856,834)	\$ 29,721,761
Contributed capital from members	2,979,935	-	2,979,935
Rollover equity issued	9,500,000	-	9,500,000
Net loss	-	(12,003,738)	(12,003,738)
<b>Balance at December 31, 2018</b>	47,058,530	(16,860,572)	30,197,958
Contributed capital from members	5,897,565	-	5,897,565
Rollover equity issued	12,738,000	-	12,738,000
Net loss	-	(18,617,446)	(18,617,446)
<b>Balance at December 31, 2019</b>	<u>\$ 65,694,095</u>	<u>\$ (35,478,018)</u>	<u>\$ 30,216,077</u>

The accompanying notes are an integral part of these consolidated financial statements.



**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended December 31,

	2019	2018
<b>Cash flow from operating activities:</b>		
Net loss	\$ (18,617,446)	\$ (12,003,738)
Adjustments to reconcile net loss to cash provided by operating activities		
Depreciation of property and equipment	1,554,567	715,808
Amortization of financing fees	574,674	313,853
Amortization of goodwill and intangible assets	11,764,169	7,556,163
Management receivable and issuance of equity	-	(80,000)
Change in fair value of earn out	4,075,110	220,000
Change in deferred tax asset	-	1,175,542
Accrued interest of long-term debt	1,273,252	1,107,483
Change in operating assets and liabilities		
Accounts receivable	1,001,355	(1,503,293)
Supplies	(249,921)	57,522
Prepaid expenses and other assets	(2,223,185)	(341,080)
Accounts payable and accrued expenses	3,548,902	1,592,588
Accrued salaries and benefits	1,602,872	1,172,495
Other liabilities	173,900	303,022
Net cash provided by operating activities	4,478,249	286,365
<b>Cash flow from investing activities:</b>		
Business acquisitions, net of cash acquired	(37,485,280)	(25,053,453)
Property and equipment acquired from business acquisitions	(2,916,362)	(2,076,042)
Purchase of property and equipment	(1,999,176)	(412,583)
Net cash used in investing activities	(42,400,818)	(27,542,078)
<b>Cash flow from financing activities:</b>		
Transaction fees on issuance and amendment of debt	(1,430,753)	(397,178)
Earn-out payments	(2,733,000)	-
Proceeds from long-term debt	38,963,803	25,457,114
Repayments of revolver	-	(500,000)
Repayments of debt	(717,338)	(431,500)
Proceeds from equity owner and issuance of equity	5,892,000	2,979,935
Net cash provided by financing activities	39,974,712	27,108,371
<b>CHANGE IN CASH</b>	2,052,143	(147,342)
<b>Cash, beginning of period</b>	1,882,167	2,029,509
<b>Cash, end of period</b>	\$ 3,934,310	\$ 1,882,167
<b>Supplemental disclosure:</b>		
Cash paid during the year for interest	\$ 6,112,820	\$ 3,635,143
Cash paid during the year for taxes	\$ 900	\$ 449
Non cash equity issued in connection with acquisitions	\$ 12,738,000	\$ 9,500,000

The accompanying notes are an integral part of these consolidated financial statements.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**NOTE A - BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Description of Business***

Chesapeake Eye Care Holdco, LLC (the "Company") is the leading platform for ophthalmology service providers in the Mid-Atlantic region. With locations in Maryland, Pennsylvania, Virginia, West Virginia and DC, the Company provides cataract, glaucoma and oculoplastic surgery along with medical and routine care services. Additionally, LASIK surgery is performed at select locations. All facilities are supported by independent ophthalmologists and credentialed optometrists, as well as other healthcare professionals. See Note B for further information related to the Company's acquisitions.

The following is a description of the Company's significant accounting policies.

***Basis of Presentation and Principles of Consolidation***

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The Company's consolidated financial statements include the accounts of Chesapeake Eye Care Holdco, LLC ("Holdco"), Chesapeake Eye Care Intermediary I, LLC, Chesapeake Eye Care Intermediary II, LLC, Chesapeake Eye Care Company, LLC, Chesapeake Eye Surgery Center, LLC ("CESC"), Chesapeake Eye Care Management, LLC ("CECM"), and the operating results of, Chesapeake Eye Care & Laser Center, LLC ("CECLC") Maryland Vision Institute, LLC, ("MVI") and Eye Care Specialists, PC ("ECS") collectively, "the Company".

CECM has entered into Management Services Agreements with CECLC, MVI and ECS. Pursuant to the terms of such agreements, CECM provides administrative and support services to CECLC, MVI and ECS, in addition to space, equipment, furnishings, supplies and inventory during the term of the agreements, which enable CECM to control substantially all non-professional activities of CECLC, MVI and ECS. The Management Service Agreements represent variable interests, as defined by Financial Accounting Standards Board ("FASB") authoritative guidance, between CECM and CECLC, MVI and ECS. Because CECLC, MVI and ECS retain no equity and cannot conduct operations on their own without the control and management of CECM, CECLC, MVI and ECS are considered variable interest entities, and CECM is considered the primary beneficiary of such entities. Accordingly, the Company consolidates the financial statements of CECLC, MVI and ECS.

The Company owns a minority interest in a surgery center, Surgical Specialty Center of Northeastern PA, in Forty Fort, PA. The Company has elected to record the distributions received from this relationship on a cash basis, as it is consistent with the actual financial results of the center.

Intercompany balances and transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to patient receivables and the determination of an allowance for doubtful accounts and contractual allowances against these receivables. Other significant estimates relate to the recoverability of goodwill, intangible asset impairment, useful lives of property and equipment, and the fair value of the Company's earnout liabilities. Actual results could differ from those estimates.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

***Cash***

The Company maintains cash in bank deposit accounts at financial institutions where the balances, at times, may exceed federally insured limits. At December 31, 2019 and 2018 the Company had \$ 2,694,673 and \$1,095,756, in excess of federally insured limits, respectively. The Company has not experienced any losses in its accounts and believes it is not exposed to a significant credit risk on its cash balances.

***Accounts Receivable and Allowance for Doubtful Accounts***

The Company records accounts receivable at net expected amounts including provision for contractual allowances and an allowance for doubtful accounts for estimated losses resulting from the unwillingness or inability of patients to make payments for services. The allowance is determined by analyzing historical data and trends.

In evaluating the collectability of patient receivables, the Company analyzes past history and identifies trends to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management reviews data from its sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Company analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients, the Company records a provision for bad debts on the basis of its past experience. Accounts are written off after all collection efforts have been exhausted.

***Revenue Recognition***

The Company has agreements with third-party payors, including commercial insurance carriers and health maintenance organizations, which provide for payments at amounts different from established rates. Net patient service revenue (patient revenues less estimated contractual adjustments) is reported at the estimated net realizable amounts from patients and third-party payors for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Effective January 1, 2019 the Company adopted the provisions of Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606), which did not result in a change to revenue recognition timing and therefore there is no cumulative adjustment to retained earnings.

***Supplies***

Supplies consist primarily of Retina injections, Botox injections, LenSx PI interfaces, stents for use in performing services.

***Property and Equipment***

Property and equipment is stated at cost, except for assets acquired through acquisitions, in which case they are stated at fair value. Depreciation is provided for using the straight-line method over the following estimated useful lives:

Furniture and fixtures	7 - 10 years
Medical equipment	5 - 10 years
Computer equipment and software	3 - 5 years
Leasehold improvements	Lesser of useful life or life of the lease

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

Depreciation commences at the point property and equipment are placed in service. Upon the sale or other disposition of depreciable assets, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statement of operations. Leasehold improvements are amortized over the lesser of the estimated useful lives of the related assets or the lease terms. Repairs and maintenance are charged to expense as incurred, while major renewals and improvements that significantly extend the life of the asset are capitalized. Accelerated methods are utilized for income tax purposes.

***Goodwill and Intangible Assets***

Goodwill represents the excess of the purchase price paid over the fair value of the identifiable net tangible and intangible assets acquired in a business combination or recapitalization. The Company applies the accounting alternative for goodwill available to private companies under Accounting Standards Codification ("ASC") 350-20, which allows goodwill to be amortized over 10 years. The Company evaluates goodwill for impairment when a triggering event occurs that indicates that the fair value of the Company may be below its carrying amount. When a triggering event occurs, the Company then performs a qualitative assessment to determine whether a quantitative test is necessary. In 2019, the Company determined that no triggering events had occurred and thus no qualitative assessment was performed and no impairment was recognized.

Intangible assets are recorded at fair value and consist of trademarks. Intangible assets with indefinite lives (trademarks arising from the July 2017 business combination) are reviewed annually, (or more frequently if impairment indicators arise) for impairment. Based upon management's review, it was determined that no impairment charge was necessary for the year ended December 31, 2019. Intangible assets with finite lives consist of trademarks acquired subsequent to the July 2017 transaction. Such assets are amortized on a straight-line basis over their estimated useful lives, assumed to be seven years, and are reviewed for impairment as necessary.

***Deferred Financing Costs***

Deferred financing costs represent fees paid during origination of the Company's term loan and revolving line of credit facilities, and subsequent amendments. Deferred financing costs are amortized over the contractual life of the related debt facility. An amount of \$2,073,924 and \$1,217,844 is reported within long-term debt on the accompanying balance sheets and is net of accumulated amortization of \$999,530 and \$424,856 as of December 31, 2019 and 2018, respectively.

***Deferred Rent***

The Company recognizes rent expense on a straight-line basis over the term of the lease. Lease incentives or abatements, received at or near the inception of leases, are accrued and amortized ratably over the life of the lease.

***Income Taxes***

The Company is organized as a limited liability company which is treated as a partnership for tax purposes and is not subject to federal income taxes. The operations of the Company are conducted through Chesapeake Eye Care Company, LLC, a limited liability corporation which elects to be taxed as a C Corporation subject to corporate federal and state income taxes.

## Chesapeake Eye Care Holdco, LLC and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

The Company recognizes the financial statement effect of an income tax position when it is more likely than not, based on technical merits, that the position will be sustained upon examination by a taxing authority. Recognized tax positions are initially and subsequently measured as the largest amount of tax benefit that is more likely than not of being realized upon ultimate settlement with the relevant taxing authority. As of December 31, 2019 and 2018, the Company recorded a full valuation allowance to reduce the deferred tax assets reported, based on objective evidence it is more likely than not that deferred tax assets will not be realized. The Company treats interest and penalties related to uncertain tax liabilities as income tax expense and as an increase to the income tax liability. For the period ended December 31, 2019 and December 31, 2018, the Company did not recognize any uncertain tax positions and accordingly, no interest or penalties on any uncertain positions was recorded.

#### **Advertising**

The costs of advertising and promoting the Company's services are expensed as incurred. Advertising expenses approximated \$1,489,079 and \$915,852 for the years ended December 31, 2019 and 2018, respectively.

#### **Fair Value of Financial Instruments**

The accounting guidance for fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 - Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs are unobservable for the asset or liability and rely on management's own assumptions about what market participants would use in pricing the asset or liability.

The carrying amounts of financial instruments, principally cash and cash equivalents, accounts receivable, and accounts payable reported in the consolidated balance sheet approximate their fair values, due to the relatively short maturity of these instruments. The fair value for the earnout liabilities are either estimated annually using an option pricing model, or estimated annually based on the present value of the expected future earnout payments with changes reflected in the statement of operations.

#### **Business Acquisition**

The Company accounts for business combinations in accordance with the guidance under ASC 805 *Business Combinations*. Acquisitions of assets or entities that include inputs and processes and have the ability to create outputs are accounted for as business combinations. The purchase price is recorded for assets acquired and liabilities assumed based on fair value. The excess of the fair value of the consideration conveyed over the fair value of the net assets acquired is recorded as goodwill. The income statement includes the results of operations for each acquisition from their respective date of acquisition.

## Chesapeake Eye Care Holdco, LLC and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

Determining the fair value of these items requires management's judgment, the utilization of independent valuation experts and involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices and asset lives, among other items. The judgments made in the determination of the estimated fair value assigned to the assets acquired, the liabilities assumed and any noncontrolling interest in the investee, as well as the estimated useful life of each asset and the duration of each liability, can materially impact the financial statements in periods after acquisition, such as through depreciation and amortization. For more information on our acquisitions and application of the acquisition method, see Note B.

#### ***Chesapeake Eye Care Holdco, LLC Capital Structure***

On May 22, 2017, Chesapeake Eye Care Holdco, LLC formed Chesapeake Eye Care Intermediary I, LLC, who then formed Chesapeake Eye Care Intermediary II, LLC, who then formed Chesapeake Eye Care Company, LLC ("Buyer").

While the legal formation of the Company occurred in May 2017, the business acquisition and funding took place on July 21, 2017, as discussed further below.

On July 21, 2017, a new amended and restated Limited Liability Company Agreement of Chesapeake Eye Care Holdco, LLC was adopted. Holdco moved from a capital structure having a sole member and one class of equity interests, to two classes of Company Interests, designated as Class A Interests and Class B Interests. The Company is authorized to issue additional Company Interests as determined by the Board of Managers pursuant to the terms and conditions of such Amended and Restated Limited Liability Company Agreement. As of December 31, 2019 and 2018, there were 60,779.58 and 47,058.53 Class A Interests and 4,550.962 and 2,923.627 Class B Interests issued, respectively. Class A and Class B Interests are non-voting interests. Class B interests only vest based upon certain provisions as defined by the Grant of Restricted Interests Agreements. Since vesting is contingent upon the occurrence of a future event and performance by the employee, compensation expense is recognized only when such events are deemed probable. No compensation expense has been recognized related to these interests for the year ended December 31, 2019 and 2018.

#### ***Recent Accounting Pronouncements***

##### Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires lessees to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet. The update also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The amendments in this update are effective for fiscal years beginning after December 15, 2020 with early adoption permitted.

Management is currently evaluating the effects the adoption of ASU 2016-02 will have on the Company's consolidated financial statements and disclosures.

#### ***Reclassifications***

During 2019, the Company made an adjustment to the 2018 Trademark valuation, resulting in an increase in goodwill and a reduction of trademarks of \$1,297,000. The resulting increase to goodwill amortization was \$102,679 and decrease to intangible amortization of \$146,685.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

**NOTE B - BUSINESS ACQUISITIONS**

On February 1, 2019, the Company acquired the assets of Eye Care Specialists, P.C. ("ECS") and the outstanding equity interests owned by Eye Care Specialists in KSC Holdings ("KSC") which owned approximately 44% of the equity interests in Surgical Specialty Center of Northeastern Pennsylvania, LLC ("SSCNP") which owns and operates an ambulatory surgical center located in Kingston, Pennsylvania.

On August 30, 2019, the Company acquired the assets of Washington Eye Specialists. PLLC ("WES").

On September 13, 2019, the Company acquired the assets of Metropolitan Ophthalmology Associates, P.C. ("MOA")

On November 25, 2019, the Company acquired the assets of Center for Total Eye Care ("CTEC") and in a separate transaction the assets of Carroll Vision Center. The Company also acquired the membership interests in Carroll County Eye Surgery Center, LLC ("CCSC").

**2018 Acquisitions**

On January 18, 2018, the Company acquired the assets of Arlington Eye Center, Inc. ("Arlington").

On March 1, 2018, Buyer acquired the assets of Brooks G. Brown, III, M.D. P.A. ("Brown").

On March 14, 2018, Buyer acquired the 100% of the membership interests in Maryland Vision Institute and Bergman Eye Surgery Center ("MVI/BESC").

On August 31, 2018, Buyer acquired the assets of Maryland Eye Associates and the membership interests in Maryland Eye Surgery Center ("MEA/MESC").

On October 31, 2018, Buyer acquired the assets of George S. Malouf, M.D. P.A., a Maryland professional association ("Malouf").

On December 14, 2018, Buyer acquired the assets of Select Eye Care, P.A. and the membership interests of Columbia Surgical Institute, LLC ("Select/CSI").

The Company recorded goodwill of approximately \$42,700,000 and \$38,800,000 as excess purchase consideration over the estimated fair value of the net assets acquired for the years ended December 31, 2019 and 2018, respectively. The purchase price of each acquired entity was allocated among assets acquired and liabilities assumed at fair value on the respective acquisition date, based on the best available information, with the excess purchase price recorded as goodwill.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

The following table summarizes the allocation of the aggregate purchase price paid for the fair value of the assets acquired by Chesapeake Eye Care Holdco, LLC and resulting goodwill recorded, in connection with the acquisitions completed in 2019 and 2018:

	2019						Total
	ECS/KSC	WES	MOA	CCEC	CTEC	CVC	
Patient accounts receivable	\$ 1,820,463	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,820,46
Property plant and equipment	1,963,557	231,713	70,000	386,802	189,372	74,918	2,916,362
Inventory, net	832,616	-	12,261	-	-	-	844,877
Prepaid expenses and other assets	267,719	12,016	30,253	-	-	-	309,989
Trade names and trademarks	2,350,000	-	-	-	-	-	2,350,000
PTO	(99,776)	(12,892)	-	(40,348)	(14,783)	(4,346)	(172,145)
Accounts payable and other liabilities	(5,567,597)	(614,976)	(431,166)	-	(1,172,017)	(1,093,406)	(8,879,162)
Equity Investment	11,300,000						11,300,000
Goodwill	18,233,306	4,883,263	1,861,166	3,093,198	7,506,645	7,105,488	42,683,066
<b>Total purchase consideration</b>	<b>\$ 31,100,288</b>	<b>\$ 4,499,125</b>	<b>\$ 1,542,514</b>	<b>\$ 3,439,652</b>	<b>\$ 6,509,217</b>	<b>\$ 6,082,653</b>	<b>\$ 53,173,449</b>

	2018					Total
	Arlington	MVI/BESC	MEA	Malouf	Select/CSI	
Patient accounts receivable	\$ 130,000	\$ 550,000	\$ 178,000	\$ 75,000	\$ 767,955	\$ 1,700,955
Property plant and equipment	66,305	1,021,422	61,000	60,000	865,541	2,074,268
Inventory, net	-	25,500	-	-	22,461	47,961
Prepaid expenses and other assets	5,871	21,534	-	18,189	-	45,594
Trade names and trademarks	-	2,397,000	-	-	800,000	3,197,000
PTO	(14,573)	(26,162)	(24,909)	(5,974)	(35,881)	(107,499)
Accounts payable and other liabilities	-	(410,976)	(101,329)	-	(700,550)	(1,212,855)
Deferred tax asset (liability)	4,005	(756,880)	6,845	14,796	(37,719)	(768,953)
Goodwill	2,635,992	24,135,001	780,210	1,799,655	9,454,114	38,804,972
<b>Total purchase consideration</b>	<b>\$2,827,600</b>	<b>\$26,956,439</b>	<b>\$ 899,817</b>	<b>\$1,961,666</b>	<b>\$11,135,921</b>	<b>\$43,781,443</b>

\*The table above does not include the acquisition of Brown in 2018 which is deemed to be immaterial.

An earnout liability component was associated with the initial July 2017 Chesapeake transaction, based upon a multiple of the aggregate cash investment, which by July 21, 2022 could amount to \$5,000,000. The earnout was evaluated and estimated at \$980,000 and \$500,000 at December 31, 2019 and 2018 and resulted in additional expense of \$480,000 and \$220,000 recorded during years ending December 31, 2019 and 2018, respectively.



**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

**NOTE C - PATIENT REVENUE AND ACCOUNTS RECEIVABLE**

As at December 31, 2019 and 2018, the Company had accounts receivable, net of contractual discounts and the allowance for uncollectable accounts, from third-party payers and others as follows:

	<u>2019</u>	<u>2018</u>
Medicare	44%	46%
Blue Cross Blue Shield	16%	17%
Self-pay	7%	11%
Other payors	33%	26%
	<hr/>	<hr/>
Total	<u>100%</u>	<u>100%</u>

Patient service revenue, net of contractual allowances, discounts and the provision for uncollectible accounts, recognized in the period from third-party payers and others is as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Medicare	51%	47%
Blue Cross Blue Shield	14%	12%
Self-pay	11%	23%
Other payors	24%	18%
	<hr/>	<hr/>
Total	<u>100%</u>	<u>100%</u>

Laws and regulations governing the Medicare program are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory actions including fines, penalties and exclusion from the Medicare programs.

**NOTE D - PROPERTY AND EQUIPMENT**

Property, plant and equipment consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Medical equipment	\$ 7,730,956	\$ 4,270,482
Furniture and fixtures	597,267	452,762
Computer equipment and software	1,059,852	226,369
Automobiles	56,520	-
Leasehold improvements	1,540,382	1,119,827
	<hr/>	<hr/>
	10,984,977	6,069,440
Accumulated depreciation	(2,549,794)	(995,227)
	<hr/>	<hr/>
	<u>\$ 8,435,183</u>	<u>\$ 5,074,213</u>

Depreciation expense was \$1,554,567 and \$715,808 for the years ended December 31, 2019 and 2018, respectively.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

**NOTE E - INTANGIBLE ASSETS**

The gross carrying amount and accumulated amortization of definite-lived and indefinite-lived intangible assets are as follows at December 31, 2019 and 2018:

	Estimated useful life	2019		
		Cost	Accumulated amortization	Net
Trademark - Chesapeake	Indefinite	\$ 7,700,000	\$ -	\$ 7,700,000
Trademarks - 2018 acquisitions	7 years	1,900,000	400,595	1,499,405
Trademarks - 2019 acquisitions	7 years	2,350,000	307,738	2,042,262
		<u>\$ 11,950,000</u>	<u>\$ 708,333</u>	<u>\$11,241,667</u>
	Estimated useful life	2018		
		Cost	Accumulated amortization	Net
Trademark - Chesapeake	Indefinite	\$ 7,700,000	\$ -	\$ 7,700,000
Trademarks - 2018 acquisitions	7 years	3,197,000	275,851	2,921,149
		<u>\$ 10,897,000</u>	<u>\$ 275,851</u>	<u>\$10,621,149</u>

During 2019, the Company made an adjustment to the 2018 Trademark valuation, resulting in an increase in goodwill and a reduction of trademarks of \$1,297,000. The resulting increase to goodwill amortization was \$102,679 and decrease to intangible amortization of \$146,685.

The Company recorded amortization expense totaling \$432,482 and \$275,851 for definite-lived intangible assets during the years ended December 31, 2019 and 2018, respectively.

Excluding the impact of any future acquisitions or impairments, the Company anticipates future amortization expense to be as follows:

Years ending December 31,

2020	\$ 607,143
2021	607,143
2022	607,143
2023	607,143
2024	607,143
Thereafter	<u>505,952</u>
	<u>\$ 3,541,667</u>

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2019 and 2018**

**NOTE F - GOODWILL**

Goodwill, net, consists of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Goodwill	\$ 133,635,429	\$ 89,649,797
Less: accumulated amortization	<u>(20,744,286)</u>	<u>(9,412,598)</u>
	<u>\$ 112,891,143</u>	<u>\$ 80,237,199</u>

Goodwill amortization expense for the years ended December 31, 2019 and 2018 was \$11,331,688 and \$7,280,312, respectively.

Excluding the impact of any future acquisitions or impairments, the Company anticipates future amortization expense to be as follows:

Years ending December 31,

2020	\$ 13,363,543
2021	13,363,543
2022	13,363,543
2023	13,363,543
2024	13,363,543
Thereafter	<u>46,073,428</u>
	<u>\$ 112,891,143</u>

**NOTE G - EQUITY INVESTMENTS IN AFFILIATES**

On February 1, 2019, the Company acquired the outstanding equity interests owned by Eye Care Specialists KSC which owned approximately 44.09% of the equity interests in SSCNP. SSCNP is a multi-specialty surgical center that offers dentistry, ENT, general surgery, ophthalmology, orthopedics, pain management and podiatry services. At December 31, 2019, the equity interest increased to 44.22%. The investment is recorded under the equity method of accounting.

Summary financial information as of December 31, 2019 and for the year then ended appears below for the significant equity investments:

	<u>Year</u>
Assets	\$ 15,516,383
Liabilities	<u>709,913</u>
Equity	<u>\$ 14,806,470</u>
Net income	<u>\$ 2,251,586</u>

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

**NOTE H - DEBT**

On July 21, 2017 Chesapeake Eye Care Company, LLC entered into a five-year credit agreement which included a term loan, (the "initial term loan"), a delayed draw term commitment (the "delayed draw commitment") and a revolving line of credit (the "revolving loan"). The credit agreement has a maturity date of July 21, 2022.

On March 14, 2018, the First Amendment to the credit agreement was executed creating the First Amendment term loan of \$16,500,000, under substantially the same terms as the initial term loan. On August 31, 2018, the Company executed the Second Amendment to the credit facility which updated the loan agreement to reflect changes in company structure following acquisition activity. Total credit available and drawn under the credit agreement was not impacted, nor were key terms such as maturity date or interest rate. On December 14, 2018, the Third Amendment to the credit agreement was executed creating the Third Amendment term loan of \$5,000,000, under substantially the same terms as the initial term loan. The Company has the option to prepay the balance outstanding at any time without penalty.

On February 1, 2019, the Fourth Amendment to the credit agreement was executed creating the Fourth Amendment term loan of \$10,418,391 and expanding the DDTL availability by \$10,000,000. As part of the amendment, the interest rate was reduced to 6.0 plus Libor and other debt covenants were amended.

On November 25, 2019, the Fifth Amendment to the credit agreement was executed creating the Fourth Amendment term loan of \$8,502,526 and expanding the DDTL availability by an additional \$25,000,000. As part of the amendment, the interest rate was reduced to 5.75 plus Libor.

During 2018, the interest rate was based on London Interbank Offered Rate ("LIBOR") plus 6.5% and interest payments were made quarterly. As of December 31, 2018, LIBOR was 2.5%.

During 2019, the interest rate was based on LIBOR plus 6.0% and interest payments were made monthly. As of December 31, 2019, LIBOR was 1.76%. Effective November 25, 2019, the interest rate decreased to LIBOR plus 5.75%.

The delayed draw commitment of up to \$50,000,000 is available subject to certain criteria for future acquisitions. Monthly interest of 1.0% is charged on the unfunded balance. As of December 31, 2019 and 2018, \$24,836,602 and \$4,930,614 of the commitment has been utilized, respectively. Interest incurred on the unfunded balance of the delayed draw commitment totaled \$104,822 and \$119,970 for the years ended December 31, 2019 and 2018, respectively.

The revolving loan has a commitment of \$5,000,000. Effective November 25, 2019, the funded portion of the line bears interest at a rate of LIBOR plus 5.75%. Monthly interest of 0.5% is charged on the unfunded balance, which is the entire \$5,000,000 as of December 31, 2019 and 2018. All repayments are due upon maturity.

In addition to the term loan, the Company holds a \$6,000,000 senior subordinated promissory note (the "Initial Note") executed by Chesapeake Eye Care Intermediary II, LLC on July 21, 2017. On November 20, 2017, the First Amendment to Note Purchase Agreement was executed and an Incremental Note with a principal of \$1,000,000 and substantially the same terms as the Initial Note issued. Principal amount of the initial and incremental notes, together with 14% accrued payment-in-kind ("PIK") Interest are payable in full in cash on the maturity date of January 21, 2023. There are descending prepayment premium requirements over the term if repaid prior to July 21, 2020.

Both debt facilities are secured by a lien on all the business assets of the Company.

Total interest expense on all indebtedness was \$6,112,820 and \$3,635,143 for the years ended December 31, 2019 and 2018, respectively.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

The credit agreements require the maintenance of certain financial ratios and covenants. The Company was in compliance with all covenants for the year ended December 31, 2019, with the exception of covenants relating to provision of audited financial statements by April 30, 2020, for which a waiver was obtained.

As of December 31, 2019 and 2018, the total outstanding borrowings, as discussed above, are as follows:

	<u>2019</u>	<u>2018</u>
Term loan	\$ 63,375,477	\$ 45,035,000
DDTL	24,836,602	4,930,614
PIK loan, including accrued interest	9,779,735	8,506,483
	<u>97,991,814</u>	<u>58,472,097</u>
Less: Deferred financing costs, net	(2,073,924)	(1,217,844)
	<u>\$ 95,917,891</u>	<u>\$ 57,254,253</u>

The aggregate maturities of all borrowings as of December 31, 2019 are as follows:

Years ending December 31,

2020	\$ 894,209
2021	894,209
2022	86,423,661
2023	9,779,735
	<u>\$ 97,991,814</u>

**NOTE I - INCOME TAXES**

The components of income tax (benefit) expense for the years ended December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Current:		
Federal	\$ (6,536)	\$ (3,128)
State	-	844
	<u>(6,536)</u>	<u>(2,284)</u>
Deferred:		
Federal	-	258,917
State	-	148,125
	<u>-</u>	<u>407,042</u>
Total income tax (benefit) expense	<u>\$ (6,536)</u>	<u>\$ 404,758</u>

The difference between the federal statutory tax rate and the effective rate for the year ended December 31, 2018, resulted primarily from permanent differences, changes in the valuation allowance.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

Significant components of deferred tax assets and liabilities are shown in the following table as of December 31, 2019 and 2018:

	2019	2018
Deferred tax assets:		
Allowance for doubtful accounts	\$ 185,127	\$ 399,530
Investment in KSC Holdings	254,588	-
Accrued liabilities	1,767,105	169,695
Intangible assets	2,042,542	925,500
Interest limitation (Section 163(j))	2,170,725	1,057,427
Other non-NOL tax attribute carryforwards	-	3,128
Federal/state bonus depreciation differences	22,551	42,608
Net operating loss	1,325,703	1,036,740
 Total deferred tax assets	 7,768,341	 3,634,628
Less: Valuation allowance	(7,110,005)	(2,894,369)
 Total deferred tax assets, net of valuation allowance	 658,336	 740,259
Deferred tax liabilities:		
Tax accounting method change differences	(86,280)	(115,584)
Property and equipment	(572,056)	(624,675)
 Total deferred tax liabilities	 (658,336)	 (740,259)
 Net deferred tax assets	 \$ -	 \$ -

The Company has U.S. federal net operating loss (NOL) carryforwards of approximately \$5.0 million. NOL generated in 2018 and 2019 will carryforward indefinitely. The timing and manner in which the Company will utilize the NOL carryforwards in any year, or in total, may be limited in the future as a result of changes in the Company's ownership and any limitations imposed by the states in which the Company operates. Tax years after 2015 generally remain subject to examination.

A valuation allowance is recorded to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The utilization of NOL carryforwards and other deferred tax assets is subject to the Company's ability to generate future taxable income.

Management periodically assesses the realizability of its deferred tax assets, and to the extent that a recovery is not likely, a valuation allowance is established to reduce the deferred tax asset to the amount estimated to be recoverable. Based on the available evidence, the Company determined a valuation allowance was warranted on its net tax assets as of December 31, 2019 and 2018, therefore a valuation allowance of \$7,110,005 and \$2,894,369 was established, respectively.

**NOTE J - COMMITMENTS AND CONTINGENCIES**

***Operating Leases***

The Company has various office and facility operating leases. Leases expire on various dates through January 2029. Total facility rent expense approximated \$3,313,775 and \$1,362,869 for the years ended December 31, 2019 and 2018, respectively.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2019 and 2018**

Future minimum payments under operating leases as of December 31, 2019 are as follows:

<u>Years ending December 31,</u>	
2020	\$ 3,917,893
2021	3,694,241
2022	3,317,516
2023	3,126,000
2024	2,725,793
Thereafter	<u>7,550,941</u>
	<u>\$ 24,332,384</u>

***Litigation***

The Company is from time to time subject to claims and disputes arising in the normal course of business and the Company maintains significant amounts of insurance relating to the conduct of its business. In the opinion of management, while the outcome of any such claims and disputes cannot be predicted with certainty, the ultimate liability of the Company in connection with these matters is not reasonably likely to have a material adverse effect on its financial position or its business.

**NOTE K - DEFINED CONTRIBUTION PLAN**

The Company has a defined contribution plan (the "Plan") covering substantially all employees who meet certain eligibility requirements. Participants may contribute a portion of their compensation on a tax-deferred basis. The Company makes discretionary matching contributions in accordance with the terms of the plan. No such contribution was made during 2018 and 2019.

As part of the ECS transaction, during the transition period in 2019, the Eye Care Specialists, P.C. 401(k) Profit Sharing Plan remained in place which did include a contribution match and safe harbor contribution. No employee or employer contributions were made to the plan in 2020. The employees moved to Chesapeake control group entities and the associated Company Plan and the ECS plan is being terminated. The total employer match and safe harbor contribution by the Company was \$725,929 for 2019.

**NOTE L - RELATED PARTY TRANSACTIONS**

The Company is party to a management agreement with a private equity group that holds a controlling interest in the Company to provide certain advisory services for \$150,000 per year through June 30, 2019 and increased to \$300,000 per year July 1, 2019. For the years ended December 31, 2018, the Company paid \$150,000 for advisory services. As of December 31, 2019, the Company owed the private equity group \$300,000 for the 2019/2020 advisory services.

The Company has entered into facility lease agreements with multiple real estate entities owned by certain physician employees as part of multiple transaction in 2018 and 2019. Amounts paid to such entities totaled \$1,689,694 and \$391,503 during 2019 and 2018, respectively.

In 2017, the Company executed a loan agreement with one of the Company's owners in the amount of \$150,000. In 2018, the Company executed a loan agreement with another of the Company's owners in the amount of \$80,000. Both remain outstanding as of December 31, 2019.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

**NOTE M - SUBSEQUENT EVENTS**

The Company evaluated its December 31, 2019 consolidated financial statements for subsequent events through May 29, 2020, the date the consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements, except as noted below.

On February 3, 2020, the Company acquired the assets of James A. Busack, Eye MD, LLC ("BEC").

On February 14, 2020, the Company acquired the assets of Baltimore Eye Physicians, LLC ("BEP") and the membership interests of Baltimore Eye Surgical Center, LLC ("BEPSC"). In connection with this acquisition, the Company expanded its credit agreement with its primary lender.

On March 27, 2020, the United States enacted the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The CARES Act is an emergency economic stimulus package that includes spending and tax breaks to strengthen the United States economy and fund a nationwide effort to curtail the effect of COVID-19. While the CARES Act provides sweeping tax changes in response to the COVID-19 pandemic, some of the more significant provisions which are expected to impact the Company's financial statements include removal of certain limitations on utilization of net operating losses and increasing the ability to deduct interest expense, as well as amending certain provisions of the previously enacted Tax Cuts and Jobs Act. Due to the recent enactment of the CARES Act, the Company is unable to quantify the impact, if any, that the CARES Act will have on its financial position, results of operations or cash flows.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Company is unable to determine if it will have a long term impact to its operations. The statement of financial position for the Company as of December 31, 2019, does however, include various assets and liabilities that may ultimately be impaired or otherwise valued differently than they were as of December 31, 2019, due to the COVID-19 pandemic. These assets and liabilities include, but are not limited to, goodwill, equity investments, as well as earnout liabilities due to sellers. The Company does not believe that its assets will be impaired, as business operations have resumed in all clinic and surgery locations or have near term plans to resume under guidelines provided, including practicing social distancing and utilizing proper personal protective equipment.



**Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants**

**Chesapeake Eye Care Holdco, LLC and  
Subsidiaries**

**December 31, 2020 and 2019**

**Contents**

	<b>Page</b>
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Consolidated balance sheets	5
Consolidated statements of operations	6
Consolidated statements of changes in members' equity	7
Consolidated statements of cash flows	8
Notes to consolidated financial statements	9

---

**GRANT THORNTON LLP**

111 S. Calvert Street, Suite 2320  
Baltimore, MD 21202

**D** +1 410 685 4000

**F** +1 410 837 0587

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS****Members**

Chesapeake Eye Care Holdco, LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of Chesapeake Eye Care Holdco, LLC and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chesapeake Eye Care Holdco, LLC and subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

Baltimore, Maryland  
May 27, 2021

Chesapeake Eye Care Holdco, LLC and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31,

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 13,799,170	\$ 3,934,310
Patient receivables, net of allowance for doubtful accounts of \$300,000 and \$253,137	4,274,562	4,689,798
Supplies	1,604,577	1,446,282
Prepaid expenses and other current assets	<u>1,388,394</u>	<u>1,516,677</u>
Total current assets	21,066,703	11,587,067
<b>OTHER ASSETS</b>		
Property and equipment, net	10,740,227	8,435,183
Goodwill, net	125,957,510	112,891,143
Other intangibles, net	10,634,524	11,241,667
Equity investment	11,300,000	11,300,000
Other assets	<u>901,546</u>	<u>1,050,894</u>
Total other assets	<u>159,533,807</u>	<u>144,918,887</u>
Total assets	<u>\$ 180,600,510</u>	<u>\$ 156,505,954</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 1,144,209	\$ 894,209
Deferred purchase price	1,166,667	-
Accounts payable	14,380,106	7,790,303
Accrued expenses	5,268,472	8,398,882
Medicare advance payments	5,078,715	-
Other current liabilities	<u>55,272</u>	<u>176,247</u>
Total current liabilities	27,093,441	17,259,641
Long-term debt, net of current portion	120,607,468	95,023,682
Earnout liabilities	15,624,429	13,470,153
Medicare advance payments, net of current portion	3,183,349	-
Other liabilities	<u>1,214,124</u>	<u>536,401</u>
Total liabilities	167,722,811	126,289,877
<b>MEMBERS' EQUITY</b>		
Members' paid-in-capital	68,174,095	65,694,095
Retained deficit	<u>(55,296,396)</u>	<u>(35,478,018)</u>
Total members' equity	<u>12,877,699</u>	<u>30,216,077</u>
Total liabilities and members' equity	<u>\$ 180,600,510</u>	<u>\$ 156,505,954</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

Years ended December 31,

	<b>2020</b>	<b>2019</b>
<b>Revenue</b>		
Patient service revenues, net of contractual adjustments	\$ 95,459,015	\$ 91,300,572
Other revenue	1,533,971	1,306,387
Total revenue	96,992,986	92,606,959
<b>Operating expenses</b>		
Compensation and benefits	44,365,119	40,996,220
Medical supplies	30,139,049	28,592,720
Selling, general and administrative	8,025,489	7,934,279
Facility	8,281,744	6,569,894
Depreciation and amortization	18,075,818	13,893,410
Total operating expenses	108,887,219	97,986,523
Operating loss	(11,894,233)	(5,379,564)
<b>Other expense</b>		
Interest expense	9,112,478	7,347,756
Income tax benefit	-	(6,536)
Income from equity method investment	(768,264)	(909,825)
Change in fair value of earn out liability	1,009,845	4,075,110
Income received for HHS stimulus	(3,511,462)	-
Transaction fees	2,081,548	2,731,377
<b>NET LOSS</b>	<b>\$ (19,818,378)</b>	<b>\$ (18,617,446)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY**

Years ended December 31,

	<u>Members' paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
<b>Balance at January 1, 2019</b>	\$ 47,058,530	\$ (16,860,572)	\$ 30,197,958
Contributed capital from members	5,897,565	-	5,897,565
Rollover equity issued	12,738,000	-	12,738,000
Net loss	-	<u>(18,617,446)</u>	<u>(18,617,446)</u>
<b>Balance at December 31, 2019</b>	65,694,095	(35,478,018)	30,216,077
Contributed capital from members	480,000	-	480,000
Rollover equity issued	2,000,000	-	2,000,000
Net loss	-	<u>(19,818,378)</u>	<u>(19,818,378)</u>
<b>Balance at December 31, 2020</b>	<u>\$ 68,174,095</u>	<u>\$ (55,296,396)</u>	<u>\$ 12,877,699</u>

The accompanying notes are an integral part of these consolidated financial statements.

Chesapeake Eye Care Holdco, LLC and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2020</u>	<u>2019</u>
<b>Cash flow from operating activities:</b>		
Net loss	\$ (19,818,378)	\$ (18,617,446)
Adjustments to reconcile net loss to cash provided by operating activities		
Depreciation of property and equipment	1,949,616	1,554,567
Amortization of financing fees	807,599	574,674
Amortization of goodwill and intangible assets	15,318,603	11,764,170
Change in fair value of earn out	1,009,845	4,075,110
Accrued interest of long-term debt	1,468,057	1,273,252
Change in operating assets and liabilities		
Accounts receivable	597,726	1,001,355
Inventory	(151,302)	(249,921)
Prepaid expenses and other assets	310,729	(2,223,185)
Accounts payable and accrued expenses	3,154,715	3,548,901
Accrued salaries and benefits	695,379	1,602,872
Other liabilities	8,399,156	173,900
	<u>13,741,745</u>	<u>4,478,249</u>
Net cash provided by operating activities		
<b>Cash flow from investing activities:</b>		
Acquisitions, net of cash acquired	(19,902,204)	(37,485,280)
Acquisition of property and equipment	(2,337,079)	(2,916,362)
Purchase of property and equipment	(1,917,581)	(1,999,176)
	<u>(24,156,864)</u>	<u>(42,400,818)</u>
Net cash used in investing activities		
<b>Cash flow from financing activities:</b>		
Transaction fees on issuance and amendment of debt	(440,512)	(1,430,753)
Proceeds from long-term debt	24,745,940	38,963,803
Earn out payments	(3,758,000)	(2,733,000)
Draw of revolver	5,000,000	-
Repayments of revolver	(5,000,000)	-
Repayments of debt	(747,449)	(717,338)
Proceeds from contributed capital from members	480,000	5,892,000
	<u>20,279,979</u>	<u>39,974,712</u>
Net cash provided by financing activities		
<b>CHANGE IN CASH</b>	<b>9,864,860</b>	<b>2,052,143</b>
<b>Cash, beginning of period</b>	<b>3,934,310</b>	<b>1,882,167</b>
<b>Cash, end of period</b>	<b>\$ 13,799,170</b>	<b>\$ 3,934,310</b>
<b>Supplemental disclosure:</b>		
Cash paid during the year for interest	\$ 6,112,820	\$ 6,112,820
Cash paid during the year for taxes	\$ -	\$ 900
Non-cash equity issued in connection with acquisitions	\$ 12,738,000	\$ 12,738,000

The accompanying notes are an integral part of these consolidated financial statements.



**Chesapeake Eye Care Holdco, LLC and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**NOTE A - BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Description of Business***

Chesapeake Eye Care Holdco, LLC (the "Company") is the leading platform for ophthalmology service providers in the Mid-Atlantic region. With locations in Maryland, Pennsylvania, Virginia, and Washington, D.C., the Company provides cataract, glaucoma and oculoplastic surgery along with medical and routine care services. Additionally, LASIK surgery is performed at select locations. All facilities are supported by independent ophthalmologists and credentialed optometrists, as well as other healthcare professionals. See Note B for further information related to the Company's acquisitions.

The following is a description of the Company's significant accounting policies.

***Basis of Presentation and Principles of Consolidation***

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The Company's consolidated financial statements include the accounts of Chesapeake Eye Care Holdco, LLC ("Holdco"), Chesapeake Eye Care Intermediary I, LLC, Chesapeake Eye Care Intermediary II, LLC, Chesapeake Eye Care Company, LLC, Chesapeake Eye Surgery Center, LLC ("CESC"), Chesapeake Eye Care Management, LLC ("CECM"), and the operating results of, Chesapeake Eye Care & Laser Center, LLC ("CECLC") Maryland Vision Institute, LLC, ("MVI") and Vision Innovation Centers of Pennsylvania LLC dba Eye Care Specialists - VIP ("ECS") collectively, the "Company."

CECM has entered into Management Services Agreements with CECLC, MVI and ECS. Pursuant to the terms of such agreements, CECM provides administrative and support services to CECLC, MVI and ECS, in addition to space, equipment, furnishings, supplies and inventory during the term of the agreements, which enable CECM to control substantially all non-professional activities of CECLC, MVI and ECS. The Management Service Agreements represent variable interests, as defined by Financial Accounting Standards Board ("FASB") authoritative guidance, between CECM and CECLC, MVI and ECS. Because CECLC, MVI and ECS retain no equity and cannot conduct operations on their own without the control and management of CECM, CECLC, MVI and ECS are considered variable interest entities, and CECM is considered the primary beneficiary of such entities. Accordingly, the Company consolidates the financial statements of CECLC, MVI and ECS.

The Company owns a minority interest in a surgery center, Surgical Specialty Center of Northeastern PA, in Forty Fort, Pennsylvania. The Company has elected to record the distributions received from this relationship on a cash basis, as it is consistent with the actual financial results of the center.

Intercompany balances and transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to patient receivables and the determination of an allowance for doubtful accounts and contractual allowances against these receivables. Other significant estimates relate to the recoverability of goodwill, intangible asset impairment, useful lives of property and equipment, and the fair value of the Company's earnout liabilities. Actual results could differ from those estimates.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

***Cash***

The Company maintains cash in bank deposit accounts at financial institutions where the balances, at times, may exceed federally insured limits. At December 31, 2020 and 2019, the Company had \$13,014,364 and \$2,694,673, in excess of federally insured limits, respectively. The Company has not experienced any losses in its accounts and believes it is not exposed to a significant credit risk on its cash balances.

***Accounts Receivable and Allowance for Doubtful Accounts***

The Company records accounts receivable at net expected amounts including provision for contractual allowances and an allowance for doubtful accounts for estimated losses resulting from the unwillingness or inability of patients to make payments for services. The allowance is determined by analyzing historical data and trends.

In evaluating the collectability of patient receivables, the Company analyzes past history and identifies trends to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management reviews data from its sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Company analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients, the Company records a provision for bad debts on the basis of its past experience. Accounts are written off after all collection efforts have been exhausted.

***Revenue Recognition***

The Company has agreements with third-party payors, including commercial insurance carriers and health maintenance organizations, which provide for payments at amounts different from established rates. Net patient service revenue (patient revenues less estimated contractual adjustments) is reported at the estimated net realizable amounts from patients and third-party payors for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Effective January 1, 2019, the Company adopted the provisions of Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which did not result in a change to revenue recognition timing and therefore there is no cumulative adjustment to retained earnings.

***Supplies***

Supplies consist primarily of retina injections, ocular injections, LenSx PI interfaces, stents for use in performing services, and Botox injections.

***Property and Equipment***

Property and equipment is stated at cost, except for assets acquired through acquisitions, in which case they are stated at fair value. Depreciation is provided for using the straight-line method over the following estimated useful lives:

Furniture and fixtures	7 - 10 years
Medical equipment	5 - 10 years
Computer equipment and software	3 - 5 years
Leasehold improvements	Lesser of useful life or life of the lease

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

Depreciation commences at the point property and equipment are placed in service. Upon the sale or other disposition of depreciable assets, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statement of operations. Leasehold improvements are amortized over the lesser of the estimated useful lives of the related assets or the lease terms. Repairs and maintenance are charged to expense as incurred, while major renewals and improvements that significantly extend the life of the asset are capitalized. Accelerated methods are utilized for income tax purposes.

***Goodwill and Intangible Assets***

Goodwill represents the excess of the purchase price paid over the fair value of the identifiable net tangible and intangible assets acquired in a business combination or recapitalization. The Company applies the accounting alternative for goodwill available to private companies under Accounting Standards Codification ("ASC") 350-20, which allows goodwill to be amortized over 10 years. The Company evaluates goodwill for impairment when a triggering event occurs that indicates that the fair value of the Company may be below its carrying amount. When a triggering event occurs, the Company then performs a qualitative assessment to determine whether a quantitative test is necessary. In 2020, the Company determined that no triggering events had occurred and thus no qualitative assessment was performed, and no impairment was recognized.

Intangible assets are recorded at fair value and consist of trademarks. Intangible assets with indefinite lives are reviewed annually (or more frequently if impairment indicators arise) for impairment. Based upon management's review, it was determined that no impairment charge was necessary for the year ended December 31, 2020. Intangible assets with finite lives consist of trademarks acquired subsequent to the July 2017 transaction. Such assets are amortized on a straight-line basis over their estimated useful lives, assumed to be seven years, and are reviewed for impairment as necessary.

***Deferred Financing Costs***

Deferred financing costs represent fees paid during origination of the Company's term loan and revolving line of credit facilities, and subsequent amendments. Deferred financing costs are amortized over the contractual life of the related debt facility. An amount of \$1,706,687 and \$2,073,924 is reported within long-term debt on the accompanying balance sheets and is net of accumulated amortization of \$1,807,279 and \$999,530 as of December 31, 2020 and 2019, respectively.

***Deferred Rent***

The Company recognizes rent expense on a straight-line basis over the term of the lease. Lease incentives or abatements, received at or near the inception of leases, are accrued and amortized ratably over the life of the lease.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

***Income Taxes***

The Company is organized as a limited liability company which is treated as a partnership for tax purposes and is not subject to federal income taxes. The operations of the Company are conducted through Chesapeake Eye Care Company, LLC, a limited liability corporation which elects to be taxed as a C Corporation subject to corporate federal and state income taxes.

The Company recognizes the financial statement effect of an income tax position when it is more likely than not, based on technical merits, that the position will be sustained upon examination by a taxing authority. Recognized tax positions are initially and subsequently measured as the largest amount of tax benefit that is more likely than not of being realized upon ultimate settlement with the relevant taxing authority. As of December 31, 2020 and 2019, the Company recorded a full valuation allowance to reduce the deferred tax assets reported, based on objective evidence it is more likely than not that deferred tax assets will not be realized. The Company treats interest and penalties related to uncertain tax liabilities as income tax expense and as an increase to the income tax liability. For the years ended December 31, 2020 and December 31, 2019, the Company did not recognize any uncertain tax positions and accordingly, no interest or penalties on any uncertain positions was recorded.

***Advertising***

The costs of advertising and promoting the Company's services are expensed as incurred. Advertising expenses approximated \$757,091 and \$1,489,079 for the years ended December 31, 2020 and 2019, respectively.

***Fair Value of Financial Instruments***

The accounting guidance for fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access;
- Level 2 - Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Inputs are unobservable for the asset or liability and rely on management's own assumptions about what market participants would use in pricing the asset or liability.

The carrying amounts of financial instruments, principally cash and cash equivalents, accounts receivable, and accounts payable reported in the consolidated balance sheets approximate their fair values, due to the relatively short maturity of these instruments. The fair value for the earnout liabilities are either estimated annually using an option-pricing model, or estimated annually based on the present value of the expected future-earnout payments with changes reflected in the consolidated statements of operations. The Company's earnout liabilities are considered level 3 fair value estimates. There were no transfers between levels of the Company's fair value instruments as of and for the year ended December 31, 2020.

## Chesapeake Eye Care Holdco, LLC and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

#### ***Business Acquisitions***

The Company accounts for business combinations in accordance with the guidance under ASC 805 *Business Combinations*. Acquisitions of assets or entities that include inputs and processes and have the ability to create outputs are accounted for as business combinations. The purchase price is recorded for assets acquired and liabilities assumed based on fair value. The excess of the fair value of the consideration conveyed over the fair value of the net assets acquired is recorded as goodwill. The consolidated statement of operations includes the results of operations for each acquisition from their respective date of acquisition.

Determining the fair value of these items requires management's judgment, the utilization of independent valuation experts and involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices and asset lives, among other items. The judgments made in the determination of the estimated fair value assigned to the assets acquired, the liabilities assumed and any noncontrolling interest in the investee, as well as the estimated useful life of each asset and the duration of each liability, can materially impact the financial statements in periods after acquisition, such as through depreciation and amortization. For more information on our acquisitions and application of the acquisition method, see Note B.

#### ***Chesapeake Eye Care Holdco, LLC Capital Structure***

On May 22, 2017, Chesapeake Eye Care Holdco, LLC formed Chesapeake Eye Care Intermediary I, LLC, who then formed Chesapeake Eye Care Intermediary II, LLC, who then formed Chesapeake Eye Care Company, LLC ("Buyer").

While the legal formation of the Company occurred in May 2017, the business acquisition and funding took place on July 21, 2017, as discussed further below.

On July 21, 2017, a new amended and restated Limited Liability Company Agreement of Chesapeake Eye Care Holdco, LLC was adopted. Holdco moved from a capital structure having a sole member and one class of equity interests, to two classes of Company Interests, designated as Class A Interests and Class B Interests. The Company is authorized to issue additional Company Interests as determined by the Board of Managers pursuant to the terms and conditions of such Amended and Restated Limited Liability Company Agreement. As of December 31, 2020 and 2019, there were 61,902.9 and 60,779.58 Class A Interests and 4,550.962 and 4,550.962 Class B Interests issued, respectively. Class A and Class B Interests are non-voting interests. Class B interests only vest based upon certain provisions as defined by the Grant of Restricted Interests Agreements. Since vesting is contingent upon the occurrence of a future event and performance by the employee, compensation expense is recognized only when such events are deemed probable. No compensation expense has been recognized related to these interests for the years ended December 31, 2020 and 2019.

#### ***Coronavirus Aid Relief and Economic Security Act ("CARES Act")***

During 2020, the Company received \$3,511,462 in general and targeted distributions from Provider Relief Fund, provided and established under the CARES Act. Provider Relief Funds are intended to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic and are not required to be repaid provided the recipients attest to and comply with certain terms and conditions, including limitations on balance billing not using the funds to reimburse expenses or losses that other sources are obligated to reimburse. The stimulus was recorded as a reduction to other expense in the consolidated statements of operations for the year ended December 31, 2020.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

In April 2020, the Company received \$8,262,064 from CMS as an advance payment under the CARES Act. The funds were provided through the expansion of the Accelerated and Advance Payment Program to ensure provider and suppliers have the resources to combat the COVID-19 pandemic. The advance and accelerated payments are a loan. Repayments will begin one year from the issuance date of payment. After that first year, Medicare will automatically recoup 25 percent of Medicare payments otherwise owed to the Company for eleven months. At the end of the eleven-month period, recoupment will increase to 50 percent for another six months. If unpaid after this time, CMS will issue demand letters requiring repayment of any outstanding balance, subject to an interest rate of four percent consistent with the Continuing Appropriations Act, 2021. The funds were recorded as medicare advance payments in current liabilities in the consolidated balance sheets as of December 31, 2020.

***Recent Accounting Pronouncements***

Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires lessees to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet. The update also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The amendments in this update are effective for fiscal years beginning after December 15, 2021 with early adoption permitted.

Management is currently evaluating the effects the adoption of ASU 2016-02 will have on the Company's consolidated financial statements and disclosures.

**NOTE B - BUSINESS ACQUISITIONS**

**2020 Acquisitions**

On February 3, 2020, the Company acquired the assets of Busack Eye Care ("BEC").

On February 14, 2020, the Company acquired the assets of Baltimore Eye Physicians ("BEP") and the membership interests of Baltimore Eye Surgical Center, LLC ("BEPSC").

On November 1, 2020, the Company acquired the assets of Omni Eye Specialists ("Omni").

On December 31, 2020, the Company acquired the assets of Eyes of York Cataract & Laser Center ("EOY") and the membership interests of Eyes of York Surgical Center, LLC ("EOYSC").

**2019 Acquisitions**

On February 1, 2019, the Company acquired the assets of Eye Care Specialists, P.C. ("ECS") and the outstanding equity interests owned by Eye Care Specialists in KSC Holdings ("KSC") which owned approximately 44% of the equity interests in Surgical Specialty Center of Northeastern Pennsylvania, LLC ("SSCNP") which owns and operates an ambulatory surgical center located in Kingston, Pennsylvania.

On August 30, 2019, the Company acquired the assets of Washington Eye Specialists, PLLC ("WES").

On September 13, 2019, the Company acquired the assets of Metropolitan Ophthalmology Associates, P.C. ("MOA").

On November 25, 2019, the Company acquired the assets of Center for Total Eye Care ("CTEC") and in a separate transaction the assets of Carroll Vision Center. The Company also acquired the membership interests in Carroll County Eye Surgery Center, LLC ("CCSC").

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

The Company recorded goodwill of approximately \$28.2 million and \$42.7 million as excess purchase consideration over the estimated fair value of the net assets acquired for the years ended December 31, 2020 and 2019, respectively. The purchase price of each acquired entity was allocated among assets acquired and liabilities assumed at fair value on the respective acquisition date, based on the best available information, with the excess purchase price recorded as goodwill.

The following table summarizes the allocation of the aggregate purchase price paid for the fair value of the assets acquired by Chesapeake Eye Care Holdco, LLC and resulting goodwill recorded, in connection with the acquisitions completed in 2020 and 2019:

	2020				Total
	BEC	BEP/BEPSC	OMNI	EOY/EOYSC	
Patient accounts receivable	\$ -	\$ -	\$ -	\$ 182,489	\$ 182,489
Property, plant and equipment	215,156	333,020	470,069	1,318,814	2,337,059
Prepaid expenses and other assets	11,949	-	85,920	-	97,869
PTO	(2,251)	(22,102)	(17,601)	(11,505)	(53,459)
Accounts payable and other liabilities	(1,087,484)	(2,256,213)	-	(1,975,184)	(5,318,881)
Deferred purchase price	-	-	(1,166,667)	-	(1,166,667)
Goodwill	4,360,289	10,923,194	1,279,931	11,618,825	28,182,239
<b>Total purchase consideration</b>	<b>\$ 3,497,659</b>	<b>\$ 8,977,899</b>	<b>\$ 651,652</b>	<b>\$ 11,133,439</b>	<b>\$ 24,260,649</b>

	2019						Total
	ECS/KSC	WES	MOA	CCEC	CTEC	CVC	
Patient accounts receivable	\$ 1,820,463	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,820,463
Property, plant and equipment	1,963,557	231,713	70,000	386,802	189,372	74,918	2,916,362
Inventory, net	832,616	-	12,261	-	-	-	844,877
Prepaid expenses and other assets	267,719	12,016	30,253	-	-	-	309,989
Trade names and trademarks	2,350,000	-	-	-	-	-	2,350,000
PTO	(99,776)	(12,892)	-	(40,348)	(14,783)	(4,346)	(172,145)
Accounts payable and other liabilities	(5,567,597)	(614,976)	(431,166)	-	(1,172,017)	(1,093,406)	(8,879,162)
Equity investment	11,300,000	-	-	-	-	-	11,300,000
Goodwill	18,233,306	4,883,263	1,861,166	3,093,198	7,506,645	7,105,488	42,683,066
<b>Total purchase consideration</b>	<b>\$ 31,100,288</b>	<b>\$ 4,499,125</b>	<b>\$ 1,542,514</b>	<b>\$ 3,439,652</b>	<b>\$ 6,509,217</b>	<b>\$ 6,082,653</b>	<b>\$ 53,173,449</b>

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

There are earnout liability components associated with the above business acquisitions as well as business acquisitions dating back to 2017. Such liabilities are estimated at the date of acquisition and then re-estimated annually using an option-pricing model or estimated annually based on the present value of the expected future-earnout payments with changes reflected in the consolidated statements of operations. A reconciliation of the ending balance of acquisition related earnouts using significant unobservable inputs (Level 3) for the year ended December 31, 2020 and 2019 is as follows:

Earnout liability as of December 31, 2018	\$ 8,145,478
Acquisition date fair value of contingent consideration	3,982,565
Change in fair value of contingent consideration	4,075,110
Payment of contingent consideration	<u>(2,733,000)</u>
 Earnout liability as of December 31, 2019	 \$ 13,470,153
Acquisition date fair value of contingent consideration	5,551,581
Change in fair value of contingent consideration	360,695
Payment of contingent consideration	<u>(3,758,000)</u>
 Earnout liability as of December 31, 2020	 <u>\$ 15,624,429</u>

**NOTE C - PATIENT REVENUE AND ACCOUNTS RECEIVABLE**

As of December 31, 2020 and 2019, the Company had accounts receivable, net of contractual discounts and the allowance for uncollectable accounts, from third-party payors and others as follows:

	<u>2020</u>	<u>2019</u>
Medicare	47%	44%
Blue Cross Blue Shield	21%	16%
Self-pay	2%	7%
Other payors	<u>30%</u>	<u>33%</u>
 Total	 <u>100%</u>	 <u>100%</u>

Patient service revenue, net of contractual allowances, discounts and the provision for uncollectible accounts, recognized in the period from third-party payors and others is as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Medicare	38%	51%
Blue Cross Blue Shield	12%	14%
Self-pay	30%	11%
Other payors	<u>20%</u>	<u>24%</u>
 Total	 <u>100%</u>	 <u>100%</u>



**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

Laws and regulations governing the Medicare program are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory actions including fines, penalties and exclusion from the Medicare programs.

**NOTE D - PROPERTY AND EQUIPMENT**

Property, plant and equipment consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Medical equipment	\$ 10,317,377	\$ 7,730,956
Furniture and fixtures	668,938	597,267
Computer equipment and software	2,486,496	1,059,852
Automobiles	84,611	56,520
Leasehold improvements	<u>1,682,215</u>	<u>1,540,382</u>
	15,239,637	10,984,977
Accumulated depreciation	<u>(4,499,410)</u>	<u>(2,549,794)</u>
	<u>\$ 10,740,227</u>	<u>\$ 8,435,183</u>

Depreciation expense was \$1,949,616 and \$1,554,567 for the years ended December 31, 2020 and 2019, respectively.

**NOTE E - INTANGIBLE ASSETS**

The gross carrying amount and accumulated amortization of definite-lived and indefinite-lived intangible assets are as follows at December 31, 2020 and 2019:

	Estimated useful life	2020		
		<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
Trademark - Chesapeake	Indefinite	\$ 7,700,000	\$ -	\$ 7,700,000
Trademarks - 2018 acquisitions	7 years	1,900,000	672,024	1,227,976
Trademarks - 2019 acquisitions	7 years	2,350,000	643,452	1,706,548
		<u>\$ 11,950,000</u>	<u>\$ 1,315,476</u>	<u>\$10,634,524</u>

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

	Estimated useful life	2019		
		Cost	Accumulated amortization	Net
Trademark - Chesapeake	Indefinite	\$ 7,700,000	\$ -	\$ 7,700,000
Trademarks - 2018 acquisitions	7 years	1,900,000	400,595	1,499,405
Trademarks - 2019 acquisitions	7 years	2,350,000	307,738	2,042,262
		<u>\$ 11,950,000</u>	<u>\$ 708,333</u>	<u>\$11,241,667</u>

The Company recorded amortization expense totaling \$607,143 and \$432,482 for definite-lived intangible assets during the years ended December 31, 2020 and 2019, respectively.

Excluding the impact of any future acquisitions or impairments, the Company anticipates future amortization expense for definite-lived intangible assets to be as follows:

Years ending December 31,

2021	\$ 607,143
2022	607,143
2023	607,143
2024	607,143
2025	477,976
Thereafter	<u>27,976</u>
	<u>\$ 2,934,524</u>

**NOTE F - GOODWILL**

Goodwill, net, consists of the following as of December 31, 2020 and 2019:

	2020	2019
Goodwill	\$ 161,413,256	\$ 133,635,429
Less: accumulated amortization	<u>(35,455,746)</u>	<u>(20,744,286)</u>
	<u>\$ 125,957,510</u>	<u>\$ 112,891,143</u>

Goodwill amortization expense for the years ended December 31, 2020 and 2019 was \$ 14,711,460 and \$11,331,688, respectively.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

Excluding the impact of any future acquisitions or impairments, the Company anticipates future amortization expense to be as follows:

Years ending December 31,

2021	16,138,437
2022	16,138,437
2023	16,138,437
2024	16,138,437
2025	16,138,437
Thereafter	<u>45,265,325</u>
	<u>\$ 125,957,510</u>

**NOTE G - EQUITY INVESTMENTS IN AFFILIATES**

On February 1, 2019, the Company acquired the outstanding equity interests owned by Eye Care Specialists KSC which owned approximately 44.09% of the equity interests in SSCNP. SSCNP is a multi-specialty surgical center that offers dentistry, ENT, general surgery, ophthalmology, orthopedics, pain management and podiatry services. At both years ended December 31, 2020 and 2019, the equity interest was 44.22%. The investment is recorded under the equity method of accounting.

Summary financial information as of December 31, 2020 and 2019 and for the years then ended appears below for the significant equity investments:

	<u>2020</u>	<u>2019</u>
Assets	\$ 18,515,726	\$ 15,516,383
Liabilities	<u>3,457,286</u>	<u>709,913</u>
Equity	<u>\$ 15,058,440</u>	<u>\$ 14,806,470</u>
Net income	<u>\$ 1,989,270</u>	<u>\$ 2,251,586</u>

**NOTE H - DEBT**

On July 21, 2017 Chesapeake Eye Care Company, LLC entered into a five-year credit agreement which included a term loan, (the "initial term loan"), a delayed draw term commitment (the "delayed draw commitment") and a revolving line of credit (the "revolving loan"). The credit agreement has a maturity date of July 21, 2022.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

On February 1, 2019, the Fourth Amendment to the credit agreement was executed creating the Fourth Amendment term loan of \$10,418,391 and expanding the Delayed Draw Term Loan ("DDTL") availability by \$10,000,000. As part of the amendment, the interest rate was reduced to 6.0 plus London Interbank Offered Rate ("LIBOR") and other debt covenants were amended. On November 25, 2019, the Fifth Amendment to the credit agreement was executed creating the Fourth Amendment term loan of \$8,502,526 and expanding the DDTL availability by an additional \$25,000,000. As part of the amendment, the interest rate was reduced to 5.75 plus LIBOR. During 2019, the interest rate was based on LIBOR plus 6.0% and interest payments were made monthly. As of December 31, 2019, LIBOR was 1.76%. Effective November 25, 2019, the interest rate decreased to LIBOR plus 5.75%.

During 2020, multiple amendments (6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup>, and 9<sup>th</sup>) were executed related to adjustment of covenants and deemed EBITDA during the COVID-19 periods.

The 2020 interest rate remained at LIBOR plus 5.75 until June 2020 when the interest rate was LIBOR plus 6.0%. Beginning in June 2020, interest payments were made quarterly, and rates were locked in at the beginning of the quarter. When LIBOR dropped below 1% and the Company reset for July 2020, the interest rate was LIBOR at 1% and plus 6%. The LIBOR definition for purposes of our credit agreement is the greater of 1% or published rates.

The 2019 delayed draw commitment of up to \$50,000,000 is available subject to certain criteria for future acquisitions. Monthly interest of 1.0% is charged on the unfunded balance. As of December 31, 2020 and 2019, \$50,000,000 and \$24,836,602 of the commitment has been utilized, respectively. Interest incurred on the unfunded balance of the delayed draw commitment totaled \$125,229 and \$104,822 for the years ended December 31, 2020 and 2019, respectively.

The revolving loan has a commitment of \$5,000,000. Effective November 25, 2019, the funded portion of the line bears interest at a rate of LIBOR plus 5.75%. Monthly interest of 0.5% is charged on the unfunded balance, which is the entire \$ 5,000,000 as of December 31, 2020 and 2019. All repayments are due upon maturity.

In addition to the term loan, the Company holds a \$6,000,000 senior subordinated promissory note (the "Initial Note") executed by Chesapeake Eye Care Intermediary II, LLC on July 21, 2017. On November 20, 2017, the First Amendment to Note Purchase Agreement was executed and an Incremental Note with a principal of \$1,000,000 and substantially the same terms as the Initial Note issued. Principal amount of the initial and incremental notes, together with 14% accrued payment-in-kind ("PIK") interest are payable in full in cash on the maturity date of January 21, 2023. There are descending prepayment premium requirements over the term if repaid prior to July 21, 2020.

Both debt facilities are secured by a lien on all the business assets of the Company.

Total interest expense on all indebtedness was \$7,736,174 and \$6,112,820 for the years ended December 31, 2020 and 2019, respectively.

The credit agreements require the maintenance of certain financial ratios and covenants. The Company was in compliance of all covenants for the year ended December 31, 2020.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**December 31, 2020 and 2019**

As of December 31, 2020 and 2019, the total outstanding borrowings, as discussed above, are as follows:

	2020	2019
Term loan	\$ 62,731,268	\$ 63,375,477
DDTL	49,479,303	24,836,602
PIK loan, including accrued interest	11,247,793	9,779,735
	123,458,363	97,991,814
Less: Deferred financing costs, net	(1,706,687)	(2,073,924)
Total borrowings, net of deferred financing costs	\$ 121,751,677	\$ 95,917,891

The aggregate maturities of all borrowings as of December 31, 2020 are as follows:

Years ending December 31,

2021	\$ 1,144,208
2022	111,066,363
2023	11,247,792
	\$ 123,458,363

**NOTE I - INCOME TAXES**

The income tax benefit for the year ended December 31, 2019 consisted of a current federal benefit of \$6,536, and no state benefit. The difference between the federal statutory tax rate and the effective rate for the year ended December 31, 2019, resulted primarily from permanent differences, changes in the valuation allowance, and state taxes. There was no income tax benefit for the year ended December 31, 2020.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

Significant components of deferred tax assets and liabilities are shown in the following table as of December 31, 2020 and 2019:

	2020	2019
Deferred tax assets:		
Allowance for doubtful accounts	\$ 698,630	\$ 185,127
Investment in KSC Holdings	2,871,083	254,588
Accrued liabilities	3,101,483	1,767,105
Intangible assets	507,835	2,042,542
Interest limitation (Section 163(j))	2,900,134	2,170,725
Federal/state bonus depreciation differences	67,801	22,551
Net operating loss	3,006,219	1,325,703
Total deferred tax assets	13,153,185	7,768,341
Less: Valuation allowance	(11,313,285)	(7,110,005)
Total deferred tax assets, net of valuation allowance	1,839,900	658,336
Deferred tax liabilities:		
Tax accounting method change differences	(714,796)	(86,280)
Property and equipment	(1,125,104)	(572,056)
Total deferred tax liabilities	(1,839,900)	(658,336)
Net deferred tax assets	\$ -	\$ -

On March 27, 2020, the United States enacted the CARES Act. The CARES Act includes significant business tax provisions that, among other things, include the removal of certain limitations on utilization of net operating losses, increase the loss carryback period for certain losses to five years, increase the ability to deduct interest expense, as well as amending certain provisions of the previously enacted TCJA. Additionally, in December of 2020, the Consolidated Appropriations Act ("CAA") was signed into law. The bill was part of a new economic stimulus package which enhanced certain credits provided through the CARES Act and extended many expiring tax provisions. The Company does not expect either the CARES Act or CAA to have a material effect on the Company's consolidated financial statements.

The Company has U.S. federal net operating loss (NOL) carryforwards of approximately \$13,100,000, which will begin expiring in 2023. NOLs generated in 2018, 2019, and 2020 will carryforward indefinitely. The timing and manner in which the Company will utilize the NOL carryforwards in any year, or in total, may be limited in the future as a result of changes in the Company's ownership and any limitations imposed by the states in which the Company operates. Tax years after 2015 generally remain subject to examination.

A valuation allowance is recorded to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The utilization of NOL carryforwards and other deferred tax assets is subject to the Company's ability to generate future taxable income.

Chesapeake Eye Care Holdco, LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

Management periodically assesses the realizability of its deferred tax assets, and to the extent that a recovery is not likely, a valuation allowance is established to reduce the deferred tax asset to the amount estimated to be recoverable. Based on the available evidence, the Company determined a valuation allowance was warranted on its net tax assets as of December 31, 2020 and 2019, therefore a valuation allowance of \$11,313,285 and \$7,110,005 was established, respectively.

**NOTE J - COMMITMENTS AND CONTINGENCIES**

***Operating Leases***

The Company has various office and facility operating leases. Leases expire on various dates through January 2029. Total facility rent expense approximated \$ 4,776,650 and \$3,488,387 for the years ended December 31, 2020 and 2019, respectively.

Future minimum payments under operating leases as of December 31, 2020 are as follows:

Years ending December 31,

2021	\$ 4,614,764
2022	4,210,500
2023	3,941,469
2024	3,535,463
2025	2,703,330
Thereafter	5,282,123
	<hr/>
	\$ 24,287,649

***Litigation***

The Company is from time to time subject to claims and disputes arising in the normal course of business and the Company maintains significant amounts of insurance relating to the conduct of its business. In the opinion of management, while the outcome of any such claims and disputes cannot be predicted with certainty, the ultimate liability of the Company in connection with these matters is not reasonably likely to have a material adverse effect on its financial position or its business.

**NOTE K - DEFINED CONTRIBUTION PLAN**

The Company has a defined contribution plan (the "Plan") covering substantially all employees who meet certain eligibility requirements. Participants may contribute a portion of their compensation on a tax-deferred basis. The Company makes discretionary matching contributions in accordance with the terms of the Plan. No such contribution was made during 2020 and 2019.

As part of the ECS transaction, the Eye Care Specialists, P.C. 401(k) Profit Sharing Plan was terminated in 2020. No employee or employer contributions were made to the Plan in 2020. The employees moved to Chesapeake control group entities and the associated Company Plan.

**NOTE L - RELATED PARTY TRANSACTIONS**

The Company is party to a management agreement with a private equity group that holds a controlling interest in the Company to provide certain advisory services. For the years ended December 31, 2020 and 2019, the Company paid \$300,000 and \$225,000, respectively, for advisory services.

**Chesapeake Eye Care Holdco, LLC and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

The Company has entered into facility lease agreements with multiple real estate entities owned by certain physician employees as part of multiple transactions. Amounts paid to such entities totaled \$1,650,075 and \$1,689,694 during 2020 and 2019, respectively.

In 2017, the Company executed a loan agreement with one of the Company's owners in the amount of \$150,000. In 2018, the Company executed a loan agreement with another of the Company's owners in the amount of \$80,000. In 2020, the Company executed a loan agreement with one of the Company's owners who is also an employed physician in the amount of \$350,000. All such loans remain outstanding as of December 31, 2020.

**NOTE M - RISKS AND UNCERTAINTIES**

***COVID-19 Pandemic***

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Company is unable to determine if it will have a material impact.

**NOTE N - SUBSEQUENT EVENTS**

The Company evaluated its December 31, 2020 consolidated financial statements for subsequent events through May 27, 2021, the date the consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements, except as noted below.

The Company amended its credit agreement with the 10<sup>th</sup> Amendment on February 26, 2021 which expanded certain covenants and increased the DDTL capacity with an additional \$50.0 million for future acquisitions.