



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-03	BOARD MEETING: August 12, 2025	PROJECT NO: 25-011	PROJECT COST: Original: \$65,659,319
FACILITY NAME: HSHS St. Elizabeth Hospital		CITY: O'Fallon	
TYPE OF PROJECT: Substantive			HSA: XI

PROJECT DESCRIPTION: The Applicants (St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis and Hospital Sisters Health System) propose to add 32 medical-surgical beds, renovate and expand the emergency department, and relocate and renovate food services. The project's total cost is \$65,659,319. The expected completion date is December 31, 2027.

Information on this Application for a Permit can be found at this link:
<https://hfsrb.illinois.gov/project.25-011-hshs-st-elizabeth-hospital.html>.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis and Hospital Sisters Health System) propose to add 32 medical-surgical beds, renovate and expand the emergency department, and relocate and renovate food services. The project's total cost is \$65,659,319. The expected completion date is December 31, 2027.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project's cost exceeds the capital expenditure minimum of \$17,787,538.

PURPOSE OF THE PROJECT:

- The primary purpose of the proposed project is to alleviate extraordinarily high hospital inpatient and emergency department utilization.

PUBLIC HEARING/COMMENT:

- No public hearing was requested, and the State Board has received no letters of support or opposition.

SUMMARY:

- The Applicants state that increasing medical-surgical beds, emergency department stations, and imaging is in response to the historical growth in these services that will improve the hospital's ability to respond to emergencies, manage patient flow, and improve the overall quality of care provided to the community. The Applicants state that the need for additional inpatient beds, imaging, and emergency department station capacity results from increasing patient volume, aging population, and acuity.
- The Applicants have addressed a total of 19 criteria and have met them all.



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STATE BOARD STAFF REPORT

#25-011

HSHS St. Elizabeth Hospital

APPLICATION CHRONOLOGY	
Applicants	Hospital Sisters Health System and St. Elizabeth Hospital of the Hospital Sisters of the Third Order of St. Francis.
Facility Name	HSHS St. Elizabeth Hospital
Location	1 St. Elizabeth Boulevard, O'Fallon, Illinois
Permit Holder	Hospital Sisters Health System and St. Elizabeth Hospital of the Hospital Sisters of the Third Order of St. Francis.
Operating Entity/Licensee	St. Elizabeth's Hospital of the Hospital Sisters of the Third
Owner of Site	St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis
Application Received	February 25, 2025
Application Deemed Complete	February 27, 2025
Anticipated Completion Date	December 31, 2027
Review Period Ends	June 27, 2025
Did the State Board staff extend the review period?	No
Can the Applicants request a deferral?	Yes

I. Project Description

The Applicants (St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis and Hospital Sisters Health System) propose to add 32 medical-surgical beds, renovate and expand the emergency department, and relocate and renovate food services. The project has a total cost of \$65,659,319, with an expected completion date of December 31, 2027.

II. Summary of Findings

- A. The State Board Staff finds the project conforms to all relevant provisions of the Illinois. Adm. Code 1110.
- B. The State Board Staff finds the project conforms to all relevant provisions of Ill. Adm. Code 1120.

III. General Information

Hospital Sisters Health System ("HSHS") is a not-for-profit corporation based in Illinois. Hospital Sisters Health System is the parent corporation for several subsidiary corporations and exerts control through various reserved powers. Health Sisters Services Inc., an Illinois not-for-profit holding company, is the sole member of 15 hospitals in Illinois and Wisconsin. The 15 hospitals within Health Sisters Services Inc. are:

TABLE ONE
Hospitals Owned by HSHS

Hospitals	City
St. Joseph's Hospital	Breese, Illinois
St. Mary's Hospital	Decatur, Illinois
St. Anthony's Memorial Hospital	Effingham, Illinois
Holy Family Hospital	Greenville, Illinois
St. Joseph's Hospital	Highland, Illinois
St. Francis Hospital	Litchfield, Illinois
St. Elizabeth's Hospital	O'Fallon, Illinois
Good Shepherd Hospital	Shelbyville, Illinois
St. John's Hospital	Springfield, Illinois
St. Joseph's Hospital	Chippewa Falls, Wisconsin
Sacred Heart Hospital	Eau Claire, Wisconsin
St. Mary's Hospital Medical Center	Green Bay, Wisconsin
St. Vincent Hospital	Green Bay, Wisconsin
St. Nicholas Hospital	Sheboygan, Wisconsin
St. Clare Memorial Hospital	Oconto Falls, Wisconsin

IV. Health Service Area Health Planning Area

The proposed facility is in Health Service Area XI and Health Planning Area F-01. HSA XI includes the Illinois Counties of Clinton, Madison, Monroe, and St. Clair. F-01 includes Madison and St. Clair Counties; Monroe County Precincts 2, 3, 4, 5, 7, 10, 11, 14, 16, 17, 18, 19, 21, and 22; Clinton County Townships of Sugar Creek, Looking Glass, Germantown, Breese, St. Rose, Wheatfield, Wade, Sante Fe, Lake, Irishtown, Carlyle, and Clement. The State Board is projecting a slight decline in the F-01 Health Planning Area population, approximately 1%, by 2026 (See Table Two). However, the population aged 65 and above is expected to increase by approximately 13% by 2026.

TABLE TWO				
Population Projection				
F-01 Hospital Planning Area				
Years	2021	2026	Diff	% Diff
0-14	108,300	101,470	-6,830	-1.19%
15-44	216,890	213,140	-3,750	-0.65%
45-64	151,470	144,540	-6,930	-1.20%
65-74	61,310	69,080	7,770	1.35%
75+	41,840	47,300	5,460	0.95%
65	103,150	116,380	13,230	13.00%
Total	579,810	575,530	-4,280	-0.74%
Source: Illinois Department of Public Health				

The F-01 Hospital Planning Area comprises ten acute care hospitals with medical-surgical beds, resulting in a calculated excess of 496 beds.

TABLE THREE			
Hospitals in the F-01 Hospital Planning Area			
Hospitals	City	M/S Beds	Occupancy
Alton Memorial Hospital	Alton	117	57.40%
Anderson Hospital	Maryville	108	57.90%
Gateway Regional Medical Center	Granite City	166	18.70%
HSHS St Elizabeth's Hospital	O'Fallon	112	96.70%
Memorial Hospital	Belleville	202	65.10%
Memorial Hospital	East Shiloh	72	73.60%
OSF Saint Anthony's Health Center	Alton	38	64.30%
St. Joseph's Hospital	Highland	25	42.80%
St. Joseph's Hospital	Breese	40	21.40%
Touchette Regional Hospital	Centreville	82	5.60%

V. **HSHS St. Elizabeth Hospital**

HSHS St Elizabeth Hospital in O'Fallon is a fully utilized 144-bed hospital. Over the course of six years, hospital utilization averaged 86.50%. Over this same six-year period, the Hospital payor mix was 34% Medicare patients, 14% Medicaid patients, 38% commercial insurance, and 1.5% charity care (See Tables Three and Four).

TABLE THREE										
HSHS St. Elizabeth Hospital Bed Utilization										
	Auth Beds	Staffed Beds	2018	2019	2020	2021	2022	2023	Auth Bed Ave.	Staff Occ.
M/S	112	112	78.60%	90.90%	90.00%	89.80%	97.30%	108.32%	92.49%	92.49%
ICU	20	20	81.20%	83.20%	67.10%	81.50%	78.10%	100.75%	81.98%	81.98%
OB	12	12	57.90%	61.30%	53.50%	58.80%	55.40%	48.22%	55.85%	55.85%
Total	144	144	77.30%	98.40%	84.60%	86.60%	81.40%	90.44%	86.46%	86.46%

Source: IDPH Annual Hospital Questionnaire

TABLE FOUR									
HSHS St. Elizabeth Hospital Payor Mix by Payor Source 2018 through 2023									
Service	2018	2019	2020	2021	2022	2023	Total	Ave	
Medicare	18,928	36,852	33,159	78,024	76,695	99,378	57,173	34.18%	
Medicaid	16,142	32,888	19,534	26,988	19,932	24,278	23,294	13.92%	

TABLE FOUR
 HSHS St. Elizabeth Hospital
 Payor Mix by Payor Source
 2018 through 2023

Service	2018	2019	2020	2021	2022	2023	Total	Ave
Other Public	8,783	17,568	15,990	24,227	20,311	28,283	19,194	11.47%
Private Insurance	36,157	75,517	70,721	65,429	53,948	76,166	62,990	37.65%
Private Payment	1,724	1,287	1,349	2,527	2,345	3,183	2,069	1.24%
Charity Care	1,977	6,501	3,953	1,176	770	1,068	2,574	1.54%
Total	83,711	170,613	144,706	198,371	174,001	232,356	167,293	100.00%

Source: Illinois Annual Hospital Questionnaire

VI. Project Details

The Applicants propose to add 32 medical-surgical beds to the fifth floor of the Hospital. The new unit will displace the current dining (food services) area on the fifth floor. The Emergency Department will be expanded and renovated to address operational inefficiencies and accommodate the growing demand for emergency services and imaging. The project will add eight new emergency department treatment rooms, bringing the total to 33. Additionally, the project will include the installation of one new CT scanner and one new X-ray unit within the Emergency Department. The food services area, including the kitchen, and dining area, will be relocated from the 5th to the 1st floor. The relocation of the dining area will displace outpatient registration and pre-admission testing services. These services will be relocated to the attached medical office building's vacant/underutilized non-clinical space.

VII. Project Costs and Sources of Funds

The Applicants are funding this project with \$64,832,444 in cash and a lease with an FMV of \$826,875 (See Table Five).

TABLE FIVE
 Project Costs and Sources of Funds

Site Survey and Soil Investigation	\$0	\$271,100	\$271,100	0.41%
Site Preparation	\$0	\$632,960	\$632,960	0.96%
New Construction Contracts	\$2,708,822	\$15,659,867	\$18,368,689	27.98%
Modernization	\$4,697,404	\$19,007,032	\$23,704,436	36.10%
Contingencies	\$1,961,017	\$2,902,636	\$4,863,653	7.41%
Architectural/Engineering Fees	\$1,407,344	\$2,083,106	\$3,490,450	5.32%
Consulting and Other Fees	\$1,268,684	\$1,877,866	\$3,146,550	4.79%
Movable or Other Equipment	\$6,959,606	\$3,395,000	\$10,354,606	15.77%
Fair Market Value of Leased Space or Equipment	\$0	\$826,875	\$826,875	1.26%
TOTAL USES OF FUNDS	\$19,002,877	\$46,656,442	\$65,659,319	100.00%
SOURCE OF FUNDS				
Cash and Securities			\$64,832,444	98.74%

TABLE FIVE		
Project Costs and Sources of Funds		
Leases (fair market value)	\$826,875	1.26%
TOTAL SOURCES OF FUNDS	\$65,659,319	100.00%

VIII. Background of the Applicant, Purpose of Project, Safety Net, Impact Statement, And Alternatives – Information Requirements

- 1110.110 (a) – Background of the Applicant
- 1110.110 (b) – Purpose of the Project
- 1110.110 (c) – Safety Net Impact Statement
- 1110.110 (d) – Alternatives to the Project

A) Background of Applicant

An applicant shall document the *qualifications, background, character, and financial resources to provide a proper service for the community adequately* and demonstrate that the project promotes the *orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of facilities or services*. [20 ILCS 3960/2]

HSHS St. Elizabeth's Hospital maintains a Gold Seal of approval from The Joint Commission¹ and has a four-star rating from Medicare². The Applicants attest that no adverse action was taken against the Applicants' facility during the three years before the filing of this application. The Applicants authorize HFSRB and IDPH to access any documents necessary to verify the information submitted, including, but not limited to, official records of IDPH or other State agencies, the licensing or certification records of other states when applicable, and the records of nationally recognized accreditation organizations. The Applicants have demonstrated that they are fit, willing, and able

¹ The Gold Seal of Approval is a nationally recognized distinction awarded by The Joint Commission to healthcare organizations demonstrating a commitment to quality and safety. The award is a voluntary achievement that shows an organization's dedication to using best practices to improve patient care. The Joint Commission's evaluation process includes:

- A thorough evaluation of the facility,
- A review of how well the staff provides a safe environment for care.
- Educate patients about diagnosis and treatment options.
- Protect patient rights.
- Evaluate the patient's condition.
- Protect against infection.
- Plan for emergencies.

Organizations that earn the Gold Seal of Approval are not subject to Medicare's survey and certification process.

² The hospital's overall star rating summarizes quality information on important topics, like readmissions and deaths after heart attacks or pneumonia. The overall rating, between 1 and 5 stars, summarizes various measures across seven areas of quality into a single-star rating for each hospital. The seven measure groups include:

• Mortality • Safety of care • Readmission • Patient experience • Effectiveness of care • Timeliness of care • Efficient use of medical imaging. The overall rating shows how well each hospital performed on an identified quality set. Measures compared to other hospitals in the U.S. The more stars a hospital has, the better it performs on the available quality measures.

and possess the necessary qualifications, background, and character to provide proper healthcare services to the community.

B) Purpose of the Project

The applicant shall document that the project will provide health services that improve the healthcare or well-being of the population to be served in the market area. The applicant shall define the planning area, market area, or other areas per the applicant's definition.

According to the Applicants, the primary purpose of the proposed project is to alleviate extraordinarily high inpatient and emergency department utilization in the hospital and to increase access to care that promotes keeping care local. The Applicants state that the hospital's inpatient medical/surgical beds currently have over 105% utilization and emergency services at 111 %, requiring additional capacity to ensure continued access to these services in the area. The proposed project will enhance the capacity for patients with higher acuity needs who require inpatient care, improving operational flow and positively impacting both patient and staff experiences, while also providing capacity for future growth in higher acuity care.

Problems to be addressed:

- High utilization of medical-surgical beds, in 2024, utilization was 105%.
- High Utilization of the Emergency Department and inefficient layout
- Overcrowded waiting room
- Lack of Imaging in the Emergency Department
- Temporary Triage Area

HSBS St. Elizabeth Hospital's service area includes Clinton, Madison, and St. Clair County. Approximately 85% of the discharges from St. Elizabeth Hospital came from these three counties. (See Application for Permit pages 45-69)

C) Safety Net Impact Statement

All health care facilities, except skilled and intermediate long-term care facilities licensed under the Nursing Home Care Act, shall provide a safety net impact statement, filed with an application for a substantive project (see Section 1110.40). Safety net services are those offered by health care providers or organizations that deliver health care services to persons with barriers to mainstream health care due to lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation.

The Applicants state that this project will have no material impact on the essential safety net services in the community, including no effect on racial and healthcare disparities. Regardless of the type of insurance (commercial, Medicaid, Medicare, etc.), patients will always have access to St. Elizabeth's Hospital. To the applicants' knowledge, this project will not impact any other area provider or healthcare system that would cross-subsidize safety net services, as the inpatient, emergency, and imaging volumes for the proposed project are based on St. Elizabeth's Hospital's historical patient volumes.

D) Alternatives to the Proposed Project

The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population it will serve.

The Applicants considered four alternatives to the proposed project.

1. Maintain Status Quo/Do Nothing

The Applicants rejected this alternative, stating that maintaining the status quo fails to address the pressing capacity challenges and the anticipated future demands on St. Elizabeth's inpatient facilities. Considering these factors, additional medical/surgical beds are essential to effectively meet the acute needs of the St. Elizabeth Hospital service area. There is no capital cost for this alternative.

2. Internal renovations to existing inpatient units for additional bed capacity

The Applicants rejected this option for the following reasons: There is no space in the existing emergency department to add exam rooms, and the current medical/surgical units consist of 32 beds designed for an efficient staffing model. Adding six to seven beds on the 5th floor would disrupt these staffing efficiencies. This alternative would eliminate essential support spaces, leading to staff dissatisfaction and operational disruption, as staff would need to leave the unit for breaks and meals. Removing waiting areas would displace family members, increase stress, and increase the risk of potential disruption in the unit. The construction process would temporarily render some existing beds unusable, worsening capacity issues and significantly disrupting operations. Capital Cost Estimate: **\$44 M.**

3. Add a vertical addition to the hospital building for additional Medical/Surgical bed capacity

The existing hospital is a five-story building not designed to support additional vertical expansion. The capital cost of this alternative was estimated to be **\$150 M.**

4. Add a horizontal addition to the building for additional Medical-Surgical bed capacity and build an extension off the existing emergency department for extra capacity.

The current first floor of the hospital does not accommodate inpatient beds. To maintain proximity to existing inpatient services, the Hospital's planning team explored the option of adding a 24-bed inpatient unit adjacent to the exterior of the existing second-floor ICU and on top of the proposed Emergency Department expansion. This option was not selected because it did not solve the inpatient capacity constraints and potential inefficiencies in daily operations. Capital Cost Estimate **\$71 M**

IX. Project Scope and Size, Utilization

- A) 77 Ill. Adm. Code 1110.120 (a) – Size of the Project
- B) 77 Ill. Adm. Code 1110.120 (b) – Projected Utilization

A) Size of Project

1) The applicant shall document that the physical space proposed for the project is necessary and appropriate. The proposed square footage cannot deviate from the square footage range indicated in Appendix B or exceed the square footage standard in Appendix B if the standard is a single number.

As seen in the Table below, no areas exceed the State Board's size standards. According to the Applicants, the design of the new inpatient Medical-Surgical unit and Emergency Department Expansion is based on patient-centered care principles, including the entire patient care encounter from pre-encounter, through arrival and check-in, patient care initiation, care delivery, care coordination/support, care assessment, departure/check out, and post-encounter. The Applicants state that the patient-centered care continuum was developed using Lean principles. The Applicants have successfully addressed this criterion.

TABLE SIX					
Size of the Project					
Service Department	Beds/Stations /Unit	State Standard		Difference	Met Standard
Medical Surgical	32	500-600 per bed	21,120	-3037	Yes
Emergency Department	33	900 per station	29,700	-1209	Yes
General Radiology	1	1,300 per unit		-740	Yes
CT Scanner	1	1,800 per unit		-1002	Yes

B) Project Services Utilization

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of projected years shall not exceed the number of documented historical years. If the applicant does not meet the utilization standards in Appendix B, or service areas do not have utilization standards in 77 Ill. Adm. Code 1100, the applicant shall justify its utilization standard by providing published data or studies, as applicable and available from a recognized source.

The Applicants attribute the need for additional medical-surgical beds, additional ED stations, and additional CT and X-Ray Units to the following:

1. Historical Utilization.
2. Improved Access and Patient Experience; and
3. Projected Growth and Future Demand.

Medical Surgical Beds

The State Board Standard for adding medical-surgical beds is 85% for a bed complement of 1-199 beds. The Applicants state that the projected patient days are based on the historical

five-year utilization growth in medical-surgical patient days from 2019 through 2024, with a total increase of 19.2% and an annualized compounded growth rate of 5.4%. Projected growth from 2025 through 2030 is based on a 1% annual growth rate compared to the historical 5.4% annual rate. The historical patient days in Table Seven below are from the Hospital Profiles from 2022 through 2024.

TABLE SEVEN					
Medical Surgical Historical and Projected Utilization					
	2022	2023	2024	2029	2030
Beds	112	112	112	144	144
Days	39,763	39,538	41,891	44,028	44,468
ADC	109	108	115	121	122
ALOS	5.50	5.14	4.36		
Occ.	97.30%	96.70%	1.03%	83.77%	84.72%

Emergency Department

The project includes emergency stations, for which the State Guidelines are 2,000 visits per station. The project increases the number of stations from 25 to 33. As shown in the utilization table below, 25 emergency department stations were utilized at a rate of 93.18% in 2024. The Applicants have seen a 6% annual growth in emergency department visits since 2022, and if this growth continues, they can justify the 33 requested stations.

TABLE EIGHT					
ED Station Historical and Projected Utilization					
	2022	2023	2024	2029	2030
Stations	25	25	25	33	33
Visits	41,010	43,230	46,591	62,349	66,090
Stations Justified	21	22	23	31	33
Occ.	82.02%	86.46%	93.18%	94.47%	100.14%

Imaging

The project involves the addition of one X-ray unit and one CT scan unit. The State Guidelines are 8,000 procedures per year for X-ray equipment and 7,000 visits for CT scans. The Hospital currently has 5 General Radiology/Fluoroscopy units and 2 CT scan units. Should the State Board approve this project, it will have 6 General Radiology/Fluoroscopy units and 3 CT Scan Units.

The Applicants believe that the utilization of General Radiology/Fluoroscopy is expected to increase by at least half of the historical annual growth rate of 4.2%, which would be 2.1%. The services will be utilized at levels justifying the additional units in the first and second years of operation, based on the State Guidelines of 8,000 procedures/unit. The additional CT scanner will also be placed within the emergency department specifically for ED patients, eliminating the need to move them to the imaging department for CT exams. From 2021 to 2023, the hospital conducted an average of 28,065 visits annually, with over 50% of the scans originating from patients in the emergency department. The

CT volume historical growth rate over this period was 8.26% annually. The Applicants believe CT Scan utilization is expected to increase by at least half of the historical annual growth rate of 8.26%, which would be 4.1%. The services will be utilized at levels justifying the additional units in the first and second years of operation, based on the State Guideline of 7,000 visits/unit.

TABLE NINE				
Historical and Projected Utilization				
General Radiology	2023	2024	2028	2029
Units	5	5	6	6
Procedures	42,508	50,304	47,163	48,153
Occ	106.27%	125.76%	98.26%	100.32%
Units Justified	5.31	6.29	5.90	6.02
CT scan	2023	2024	2028	2029
Units	2	2	3	3
Visits	29,903	29,148	36,557	38,056
Occ	213.59%	208.20%	174.08%	181.22%
Units Justified	4.27	4.16	5.22	5.44

Analysis

In summary, increasing medical-surgical beds, emergency department stations, and imaging capabilities is a response to the historical growth in these services, which will enhance the hospital's ability to respond to emergencies, manage patient flow, and improve the overall quality of care provided to the community. The need for additional inpatient beds, imaging, and emergency department station capacity results from increasing patient volume, an aging population, and acuity. The Applicants have justified the number of beds, emergency department stations, and requested imaging units.

IX. Medical-Surgical Beds

Expansion of Existing Services 77 Ill. Adm. Code 1110.200	(b)(2)	Planning Area Need – Service to Planning Area Residents
	(b)(4)	Planning Area Need – Service Demand – Expansion of the Existing Category of Service
	(e)	Staffing Availability
	(f)	Performance Requirements
	(g)	Assurances

A) Service to Planning Area Residents

- A) Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.
- B) Applicants proposing to add beds to an existing service category shall provide patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, applicants shall document that at least 50% of the projected patient volume will be from residents of the area.
- C) Applicants proposing to expand an existing service category shall submit patient origin information by zip code, based upon the patient's legal residence (other than a health care facility).

The Applicants state that the project's primary purpose is to provide additional acute care capacity to meet the rising health care demands in the area served by St. Elizabeth's Hospital. St. Elizabeth's Hospital serves the areas of Clinton, Madison, and St. Clair County. Eighty-four percent of the hospital's patient volume came from these three counties. (See Application for Permit pages 79-82 for complete discussion) The Applicants have successfully addressed this criterion.

B) Service Demand – Expansion of the Existing Category of Service

The number of beds to be added for each service category is necessary to reduce the facility's high occupancy and meet projected demand for services. The applicant shall document subsection (b)(4)(A) and either subsection (b)(4)(B) or (C):

A) Historical Service Demand

- i) An average annual occupancy rate that has equaled or exceeded occupancy standards for the service category, as specified in 77 Ill. Adm. Code 1100, for each of the last 2 years.
- ii) If patients have been referred to other facilities to receive the subject services, the applicant shall provide documentation of the referrals, including: patient origin by zip code; name and specialty of referring physician; and name and location of the recipient hospital, for each of the last 2 years.

B) Projected Referrals

The applicant shall provide the following:

- i) Physician referral letters that attest to the physician's total number of patients (by zip code of residence) who have received care at existing facilities located in the area during the 12 months before application submission.
- ii) An estimated number of patients the physician will refer annually to the applicant's facility within 24 months after project completion. The anticipated number of referrals cannot exceed the physician's experienced caseload. The percentage of project referrals used to justify the proposed expansion cannot exceed the historical percentage of applicant market share within 24 months after project completion.

- iii) Each referral letter shall contain the physician's notarized signature, the typed or printed name of the physician, the physician's office address, and the physician's specialty; and
- iv) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services.

The Applicants are requesting to add 32 medical-surgical beds, bringing the total to 144. The State Board's target occupancy is 85% for a bed complement of 1-199 beds. The Applicants' average annual occupancy rate has equaled or exceeded occupancy standards for the service category, as specified in 77 Ill. Adm. Code 1100, for each of the last two years. (See Table Ten)

TABLE TEN			
Historical Utilization			
	2022	2023	2024
Beds	112	112	112
Days	39,763	39,538	41,891
ADC	109	108	115
ALOS	5.50	5.14	4.36
Occ.	97.30%	96.70%	97.39%

C) Staffing Availability – Review Criterion

The applicant shall document that the proposed project's relevant clinical and professional staffing needs have been considered, and that licensure and The Joint Commission's staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing a narrative explanation of how the proposed staffing will be achieved.

The Applicants state that HSHS has a long history of staffing its inpatient Medical/Surgical beds and uses various tools to recruit staff. HSHS utilizes a web-based program to develop and maintain a pipeline of candidates for multiple roles, in addition to traditional campus and in-person recruiting efforts. These same recruiting tools will be used to staff the proposed inpatient Medical/Surgical beds and offer positions to existing team members at other sites. The proposed 32-bed Medical/Surgical unit will employ approximately 58 full-time team members in various clinical roles, with charge nurses leading this local site staffing effort. The unit typically operates 24 hours/day, 365 days/year, making it an attractive option for staff seeking non-traditional Monday-to-Friday, 9-to-5 hours.

The proposed ED addition will employ approximately 50 full-time team members in various clinical roles, including nursing, triage, rapid medical evaluation, and a charge nurse. Staffing is based on acuity, which is measured using HSHS's HR tools. All staffing grids are approved by our Nurse Care Committee, as mandated by IL Public Act 095-0401, and reviewed by the Illinois Department of Public Health and The Joint Commission. Lastly, the ancillary/non-clinical roles necessary to support the expansion include 4.0 full-time imaging technicians, two full-time food and nutrition colleagues, and 2.5 full-time environmental aide service colleagues.

The Applicants state that the proposed project will abide by the Joint Commission's minimum staffing requirements. Staff will have appropriate experience, training,

licensure, and certifications related to working in Medical/Surgical units and ED. Hiring and retaining a high-quality team is essential to delivering exceptional patient care and is a primary goal of the leadership team. Any legal requirements related to the scope of each professional practice will be followed (Physician, PA, ARNP, RN, CST) and noted in the employee or medical staff credentialing file. The Applicants provided a narrative explaining how appropriate staffing would be achieved as required.

D) Performance Requirements – Bed Capacity Minimum

1) Medical-Surgical

As defined by the U.S. Census Bureau, the minimum bed capacity for a new medical-surgical service category within a Metropolitan Statistical Area (MSA) is 100 beds.

The Hospital is in the St. Louis, MO-IL Metropolitan Statistical Area (MSA). The Applicants currently have 112 medical-surgical beds and propose adding 32 beds, for a total of 144 beds. The Applicants have met the minimum bed capacity as required by this criterion.

E) Assurances

The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

The Applicants provided a signed statement stating that by the second year of operation after project completion, the Applicant will achieve and maintain the occupancy standard as specified in 77 Ill. Adm. Code 1100. (See Application for Permit page 97)

X. Clinical Service Area Other than Categories of Service

Service Modernization	(c)(1)	– Deteriorated Facilities and/or
77 Ill. Adm. Code 1110.270	(c)(2)	– Necessary Expansion PLUS
	(c)(3)(A)	– Utilization – Major Medical Equipment or
	(c)(3)(B)	– Utilization – Service or Facility

c) Service Modernization

The applicant shall document that the proposed project meets one of the following:

2) Necessary Expansion

The proposed project is necessary to expand diagnostic treatment, ancillary training or other support services to meet the requirements of patient service demand. Documentation shall include, but is not limited to: historical utilization data, evidence of changes in industry standards, changes in the scope of services offered, and licensure or fire code deficiency citations involving the proposed project.

3) Utilization

A) Major Medical Equipment

Proposed projects for acquiring major medical equipment shall document that the equipment will achieve or exceed any applicable target utilization levels specified in Appendix B within 12 months after acquisition.

B) Service or Facility

Projects involving the modernization of a service or facility shall meet or exceed the utilization standards for the service, as specified in Appendix B. The number of key rooms being modernized shall not exceed the number justified by historical utilization rates for each of the last two years unless additional key rooms can be justified per subsection (c)(2) (Necessary Expansion).

C) If no utilization standards exist, the applicant shall document its anticipated utilization in terms of incidence of disease or conditions, or population use rates.

The Hospital currently operates five General Radiology/Fluoroscopy units, consisting of three X-ray units, one Fluoroscopy Unit, and one Fluoroscopy unit, as well as two CT Scan units. The proposed project will add one X-ray and one CT scan, bringing the total to six General Radiology/Fluoroscopy units and three CT scans. The utilization standard for General Radiology is 8,000 procedures per unit, and the standard for CT scan is 7,000 visits per unit.

The additional X-ray unit will be placed within the Emergency Department, specifically for ED patients, eliminating the need to move them to the imaging department for standard radiology exams. From 2021 to 2023, the hospital performed an average of 40,949 general radiology and fluoroscopy procedures annually, with 69% of the visits originating from patients in the emergency department. The historical annual growth rate over this period is 4.2%.

The additional CT scanner will also be placed within the Emergency Department, specifically for ED patients, eliminating the need to move them to the imaging department for CT exams. From 2021 to 2023, the hospital conducted an average of 28,065 visits annually, with over 50% of the scans originating from patients in the emergency department. The CT volume historical growth rate over this period was 8.26% annually.

The proposed addition of one General Radiology and one CT Unit is warranted based on historical utilization at the Hospital. (See Table Eleven)

TABLE ELEVEN					
General Radiology and CT Unit Historical Utilization					
	Proposed Units	2021	2022	2023	2024
General Radiology	6	39,117	41,221	42,508	50,304
Number Units Justified		5	6	6	7
Utilization		97.79%	103.05%	106.27%	125.76%
CT scan	3	25,510	28,783	29,903	29,149
Number Units Justified		4	5	5	5
Utilization		182.21%	205.59%	213.59%	208.21%

XI. Financial Viability and Economic Feasibility

A) Availability of Funds

Applicants shall document that financial resources will be available and equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following applicable sources:

The Applicants are funding this project with \$64,832,444 in cash and a lease with an FMV of \$826,875. Hospital Services Health System (“HSHS”) has an “A” or better Bond Rating from Fitch and S&P Global Ratings. The Applicants have successfully addressed this criterion.

Fitch states in part:

“Hospital Sisters Services, Inc. (HSHS) has an "A+" long-term issuer default rating from Fitch Ratings. This rating was affirmed on February 25, 2025, and the outlook for HSHS was revised to negative on the same date.

Rating: *The "A+" rating from Fitch Ratings indicates a high level of creditworthiness, signifying that HSHS has a strong capacity to meet its financial obligations.*

Outlook: *The negative outlook suggests that Fitch anticipates a possible downgrade in HSHS's rating in the future.*

Factors Driving the Rating and Outlook: *Fitch's rating analysis considers several factors, including:*

Revenue Defensibility: *HSHS has a broad market reach but faces competition in key markets, such as Springfield and Green Bay.*

Operating Risk: *Operating margins have been challenged recently but are improving.*

Financial Profile: *HSHS has a strong financial profile, characterized by robust capital-related ratios.*

Rating Sensitivities: *Factors that could lead to a downgrade include reversion to weaker operating metrics, particularly if the operating EBITDA margin is sustained below 6%, or an increase in new debt or other balance sheet pressures.”*

S&P Global Ratings states in part:

“The 'A+' rating reflects our view of HSHS' strong enterprise profile characterized by healthy revenue diversity with 13 hospitals, a robust ambulatory presence across two states, and two sizable multispecialty physician groups and solid market share in the system's Illinois and Wisconsin service areas. The rating also reflects HSHS's healthy balance sheet, as evidenced by leverage and debt burden ratios below rating medians, as well as days' cash on hand and unrestricted reserve to long-term debt, which remain sound for the rating. In addition, the rating incorporates the recent deterioration in operating performance from fiscal 2022 through December 31, 2022, the interim period, and the ensuing decline in MADS coverage, along with the expectation that HSHS will generate operating losses through fiscal 2024, albeit at a lower level. The rating also incorporates a positive holistic adjustment reflecting our view that the balance sheet remains in line with an 'A+' rating and our expectation of operational improvements over the outlook period. That said, an inability to substantially bolster operating performance

or strengthen MADS coverage could lead to a downgrade, as would a significant deterioration in the debt profile.”

(See Application for Permit pages 115-140)

B) Financial Viability

A) Financial Viability Waiver

Because of the “A” or better bond rating, the Applicants have qualified for the financial viability waiver, which allows them to provide no financial ratios.

XII. Economic Feasibility

A) Reasonableness of Financing Arrangements

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

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

The Applicants have an “A” or better bond rating and have successfully met the requirements for reasonable financing arrangements.

B) Conditions of Debt Financing

Applicants with projects involving debt financing shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available.
- 2) That the selected form of debt financing will not be at the lowest net cost available but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs, and other factors.
- 3) The project involves (in total or part) leasing equipment or facilities, and the expenses incurred with leasing are less costly than constructing a new facility or purchasing new equipment.

The \$826,875 lease is for a temporary kitchen while the existing food services are being relocated. The temporary kitchen is non-clinical and not subject to review. The Applicants have addressed this criterion.

C) Reasonableness of Project and Related Costs

The Applicants shall document that the estimated project costs are reasonable.

New construction and contingency costs total \$3,426,063, or \$312.00 per square foot. This appears reasonable when compared to the State Board Standard of \$511.81 per GSF.

Modernization and contingency costs total \$5,941,180, or \$215.81 per square foot. This appears reasonable compared to the State Board Standard of \$358.27 per GSF.

Contingency Costs total \$1,961,017 and are 26.4% of new construction and modernization costs. This appears high compared to the State Board Standard of 10%-15 %.

Architectural and Engineering Fees total \$1,407,344 and are 15.02% of new construction, modernization, and contingency costs. This appears HIGH when compared to the State Board Standard of 9.08%,

The State Board does not have standards for the expenses below.

Moveable Equipment	\$6,959,606
Consulting and Other Fees	\$1,268,684

D) Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization, but no more than two years following project completion. Direct costs refer to the fully allocated salaries, benefits, and supplies required for the service.

The total operating costs per service unit are \$2,688 per equivalent patient day. The State Board does not have a standard for projected operating costs.

E) Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization, but no more than two years following project completion.

The total capital costs per procedure are \$5,902. The State Board does not have a standard for capital costs.

TABLE THIRTEEN
HOSPITAL SISTERS HEALTH SYSTEM AND
SUBSIDIARIES
June 30th
(in thousands)
AUDITED

	2023	2022
Cash	\$77,946	\$91,035
Current Assets	\$691,963	\$712,610
Total Assets	\$4,246,533	\$4,269,181
Current Liabilities	\$531,914	\$711,732
Total Liabilities	\$1,328,345	\$1,546,605
Patient Service Revenue	\$2,795,088	\$2,719,320
Total Revenue	\$2,935,758	\$2,863,735
Operating Expenses	\$3,029,258	\$2,930,897
Loss from Operations	-\$93,500	-\$67,162
Revenues over Expenses	\$193,317	-\$134,137

TABLE FOURTEEN
HSHS Saint Elizabeth Hospital – O’Fallon
Medicare Cost Report

	2018	2019	2020	2021	2022	2023
Revenue	\$679,523,183	\$839,994,479	\$939,953,461	\$1,073,818,920	\$1,234,317,750	\$1,345,014,323
Contractual All	\$515,551,035	\$633,630,457	\$717,470,502	\$817,168,507	\$949,537,955	\$1,048,829,969
Net Revenue	\$163,972,147	\$206,364,022	\$222,382,959	\$256,649,913	\$284,780,695	\$296,184,354
Expenses	\$212,450,668	\$232,026,496	\$261,499,172	\$254,535,211	\$285,363,803	\$305,756,093
Net Income from Patient Services	-\$48,478,520	-\$25,662,474	-\$39,116,213	\$2,116,702	-\$583,108	-\$9,571,739
Other Operating Rev	\$5,040,901	\$3,679,325	\$10,351,855	\$709,268	\$4,707,630	\$2,991,195
Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	-\$43,437,619	-\$21,983,149	\$28,764,358	\$2,825,970	\$4,124,522	-\$6,580,544
Operating Margin ⁽¹⁾	-29.6%	-12.4%	-17.6%	.82%	-2.05%	-3.2%

1. Operating Margin = Net Income from Patient Services ÷ Net Revenue

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