



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-05	BOARD MEETING: August 12, 2025	PROJECT NO: 25-020	PROJECT COST: Original: \$49,341,477
FACILITY NAME: Alton Memorial Hospital		CITY: Alton	
TYPE OF PROJECT: Non-Substantive			HSA: XI

PROJECT DESCRIPTION: The Applicants (Alton Memorial Hospital, BJC Health System d/b/a BJC HealthCare) propose to modernize its perioperative services on the campus of its acute care hospital, located at One Memorial Drive, Alton. The project has a total cost of \$49,341,477, with a completion date of September 30, 2027.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Alton Memorial Hospital, BJC Health System d/b/a BJC HealthCare) propose to modernize their perioperative services unit, to include its Surgical suite, pre-/post-operative areas, and related support areas. The project entails 36,766 square feet of modernized space (32,985 square feet clinical/3,781 square feet non-clinical), has a total cost of \$49,429,137, and is scheduled for completion on September 30, 2027.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the project exceeds the capital expenditure minimum (\$17,787,538) in effect at the time of this report.

PUBLIC HEARING/COMMENT:

- No public hearing was requested. To date, no letters of support or opposition have been received by the State Board.

CONCLUSION:

- The Applicants state that modernizing the perioperative services section, to include Surgical suites, pre-/post-operative areas, and related support areas, will improve the hospital's ability to provide health care services to the community it serves, and ultimately improve the well-being of that population.
- The Applicants addressed 17 criteria and have not met the following:

Criterion	Non-Compliant
Criterion 77 Adm. Code 1110.120 (a) – Size of Project	The Applicants exceed the State standard for the Surgical Suites and the Stage I Recovery/PACU stations.
Criterion 77 Adm. Code 1110.120 (b) – Projected Utilization	The Applicants did not meet the State standard for historical projected utilization of its surgical suites.
Criterion 77 Adm. Code. 1120.140 (c) – Reasonableness of Project Costs	Modernization Costs are \$24,263,740 or \$735.59 per GSF (\$24,263,740/32,985 GSF = \$735.59). This appears high when compared to the State Board Standard of \$360.22.



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STATE BOARD STAFF REPORT

#25-020

Alton Memorial Hospital

APPLICATION SUMMARY/CHRONOLOGY	
Applicants	Alton Memorial Hospital BJC Health System d/b/a BJC HealthCare
Facility Name	Alton Memorial Hospital
Location	One Memorial Drive, Alton
Application Received	May 20, 2025
Application Deemed Complete	May 27, 2025
Review Period Ends	July 26, 2025
Permit Holder	Alton Memorial Hospital
Operating Entity	Alton Memorial Hospital
Owner of the Site	Alton Memorial Hospital
Project Completion Date	September 30, 2027
Expedited Review	No
Can Applicants Request a Deferral?	Yes

I. **The Proposed Project**

The Applicants (Alton Memorial Hospital, BJC Health System d/b/a BJC HealthCare) propose modernizing their perioperative unit on the campus of the acute care hospital, located at One Memorial Drive, Alton. The modernization project involves 37,766 square feet of space (32,985 square feet clinical/4,781 square feet non-clinical). It will result in 10 operating rooms (ORs), 10 Stage I, and 31 Stage II post-anesthesia care (PACU) rooms/units. The project has a total cost of \$49,429,137, with a completion date of September 30, 2027.

II. **Summary of Findings**

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

III. **General Information**

Alton Memorial Hospital is a not-for-profit Illinois corporation, established in April 1936, that operates a 162-bed acute care hospital, primarily providing inpatient and outpatient healthcare services to patients in Alton, Illinois, and surrounding communities. BJC Health System was incorporated under the laws of the State of Missouri in May 1992 and is the parent company/owner of Alton Memorial Hospital. Financial commitment will occur after project approval. This non-substantive project is subject to a Part 1110 and Part 1120 review.

Alton Memorial Hospital is a 162-bed acute care hospital located in Alton, Illinois. Alton is a community of approximately 25,000 residents, located in the Metro East St. Louis area.

IV. **Health Service Area**

Alton Memorial Hospital is in Health Service Area (“HSA”) XI and the F-01 Hospital Planning Area. HSA XI includes the Illinois Counties of Clinton, Madison, Monroe, and St. Clair. The F-01 Hospital Planning Area consists of the same counties. There are ten hospitals in the F-01 Hospital Planning Area (See Table One).

TABLE ONE			
Hospitals in the F-01 Hospital Planning Area			
Hospital	City	Beds	Miles
Alton Memorial Hospital	Alton	161	0
Anderson Hospital	Maryville	144	22.6
Gateway Regional Medical Center	Granite City	298	18.3
HSBS St. Elizabeth’s Hospital	O’Fallon	144	35.8
Memorial Hospital	Belleville	222	34.3
Memorial Hospital-East	Shiloh	94	37
OSF St. Anthony’s Health Center	Alton	49	1.4
St. Joseph’s Hospital*	Highland	25	37.2
St. Joseph’s Hospital	Breese	52	53
Touchette Regional Medical Center	Centreville	102	32.3

V. **Project Description**

The Applicants (Alton Memorial Hospital, BJC Health System d/b/a BJC HealthCare) propose to modernize its perioperative services unit, which includes class C surgical suites, post-anesthesia care (PACU), stages 1 and 2, and related support areas. The number of rooms/units will also change, as illustrated in Table Two.

TABLE TWO			
Modernization/Expansion Project-Alton Memorial Hospital			
Service	Existing Rooms/Units	Proposed Rooms/Units	Difference
Class C Operating Room	8	10	2
PACU Stage I	11	10	(1)
PACU Stage II*	15	31	16

The Applicants note that the PACU Stage II rooms/units will also be utilized for pre- and post-care of cardiac catheterization patients.

VI. Project Uses and Sources of Funds

The Applicants are funding this project internally with \$49,341,477 in cash and securities. The Applicants supplied proof of an Aa2 Bond Rating from Moody's Ratings Service (July 2024), as well as Audited financial statements to prove economic viability.

TABLE THREE				
Project Uses and Sources of Funds				
Use of Funds	Clinical	Non-Clinical	Total	% of Total Cost
Preplanning Costs	\$455,700	\$9,300	\$465,000	.9%
Modernization Contracts	\$24,263,740	\$974,000	\$25,237,740	51.1%
Contingencies	\$2,183,737	\$87,660	\$2,183,737	4.4%
A&E Fees	\$2,072,700	\$42,300	\$2,115,000	4.3%
Consulting and Other Fees	\$686,000	\$14,000	\$700,000	1.5%
Movable or Other Equipment	\$7,000,000	\$140,000	\$7,140,000	14.5%
Other Costs to be Capitalized	\$11,270,000	\$230,000	\$11,500,000	23.3%
Total	\$47,931,877	\$1,497,260	\$49,341,477	100.00%
Source of Funds	Clinical	Non-Clinical	Total	% of Total Cost
Cash and Securities	\$47,931,877	\$1,497,260	\$49,341,477	100.00%
Total	\$47,931,877	\$1,497,260	\$49,341,477	100.00%

VII. **Background of the Applicant, Purpose of Project, Safety Net Impact Statement, and Alternatives**

Criterion 1110.110 (a) – Background of the Applicants
Criterion 1110.110 (b) – Purpose of the Project
Criterion 1110.110 (c) – Safety Net Impact Statement
Criterion 1110.110 (d) – Alternatives to the Proposed Project

A) **Background of Applicant**

An Applicant must demonstrate that it is fit, willing, and able, and *has the qualifications, background, and character to adequately provide a proper standard of health care service for the community.* [20 ILCS 3960/6] In evaluating the qualifications, background and character of the applicant, HFSRB shall consider whether adverse action has been taken against the applicant, including corporate officers or directors, LLC members, partners, and owners of at least 5% of the proposed health care facility, or against any health care facility owned or operated by the applicant, directly or indirectly, within 3 years preceding the filing of the application.

The Applicants are Alton Memorial Hospital and BJC Health System d/b/a BJC HealthCare. BJC Health System was incorporated under the laws of the State of Missouri in May 1992. Alton Memorial Hospital was incorporated under the laws of the State of Illinois in April 1936 to conduct business as a domestic corporation. BJC Health System

is the parent company of Alton Memorial Hospital and two other hospitals located in the metropolitan area of East St. Louis. They are:

- Memorial Hospital, Belleville
- Memorial Hospital-East, Shiloh

The Applicants attest there has been no “adverse action” (as that term is defined in Section 1130.140 of the Illinois Health Facilities and Services Review Board (HFSRB) rules) against any Illinois health care facility owned and/or operated by the Applicants, during the three years immediately before the filing of this application. The Applicants authorized the HFSRB and the Illinois Department of Public Health to access information that may be required to verify any documentation or information submitted in response to the requirements of this subsection or to obtain any documentation or information that the HFSRB or the Illinois Department of Public Health finds pertinent to this subsection. The Applicants have demonstrated the *qualifications, background, character, and financial resources to provide adequate service for 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 area according to the applicant's definition.

According to the Applicants, the modernization of perioperative services demonstrates their commitment to providing healthcare services to the community they serve and improving the overall well-being of this demographic. The Applicants identified a 19-mile service area surrounding the Applicant Facility, which contains 243 zip codes in both Illinois and Missouri. The Applicants report a 5.9% annual increase in the utilization of their surgical services from 2020 to 2024, and this trend is expected to continue. A second compelling issue supporting this project is the out-migration of Illinois patients to Missouri hospitals for treatment, which increased from 8,120 cases in 2021 to 8,914 cases in 2023, representing a 9.7% rise in cases leaving the state for services. Lastly, the age of the existing perioperative services has resulted in spatial constraints, leading to service limitations and outdated rooms/equipment, which ultimately create difficulties when recruiting physicians/surgeons to provide services at the Applicant facility.

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, which shall be filed with an application for a substantive project (see Section 1110.40). Safety net services are the services provided by healthcare providers or organizations that deliver healthcare to individuals with barriers to mainstream healthcare, including those who lack insurance, are unable to pay, have special needs, belong to an ethnic or cultural minority, or live in geographic isolation. [20 ILCS 3960/5.4]

This project is non-substantive and does not require a Safety Net Impact Statement. The Applicants provided Charity Care information for the years 2022 to 2024, which is illustrated in Table Four.

TABLE FOUR Charity Care Information BJC Health System			
	2022	2023	2024
Net Patient Revenue	\$160,127,653	\$169,709,037	\$180,132,788
Amount of Charity Care (Charges)	\$25,862,367	\$53,501,314	\$51,342,252
Cost of Charity Care (Cost)	\$915,063	\$1,146,423	\$3,200,586
Ratio of Charity Care Cost to Net Patient Revenue	.57%	.68%	1.77%

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 six alternatives to the proposed project.

1. Build Replacement Surgical Suites at a New Location or as an Addition to the Existing Hospital
2. Engage an Ambulatory Surgery Treatment Center (ASTC) to Address a Portion of the Hospital's Perioperative Services.

The Applicants rejected the first alternative due to the lack of suitable building space for a new perioperative unit and the projected costs associated with constructing a new perioperative suite. The Applicants rejected the second alternative due to the realized duplication of services, equipment, and staffing. While the quality of care would not be affected by either alternative, the operating costs incurred through duplicative efforts would result in higher operating costs than the chosen option.

VIII. Project Scope and Utilization

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

A) Project Size

The applicant shall document that the physical space proposed for the project is necessary and appropriate.

The Applicants state that the surgery modernization/room expansion will encompass 16,092 square feet of clinical space and will contain 10 surgical suites, which comply with the State standard (See Table Five). The spatial allotments for PACU I, PACU II, and Cardiac Catheterization are also included in this table. However, the spatial allotment for PACU Stage I does not meet the State standard for project size.

TABLE FIVE Project Size Alton Memorial Hospital				
Dept/Service #of Rooms/Units	Proposed DGSF	State Standard	Difference	Standard Met?
Surgery / 10 Units	16,092 DGSF 1,609 GSF/Room	27,500 DGSF 2,750 GSF/Room	1,141 GSF under per unit	Yes
Stage I PACU/10 Rooms/Units	3,473 DGSF 347.3 DGSF/Room	1,800 DGSF 180 DGSF/Room	167.3 GSF per unit	No
Stage II PACU/31 Units	11,192 DGSF 361 DGSF/Room	12,400 DGSF 400 DGSF/Room	39 GSF under per unit	Yes
Cardiac Catheterization	1,835 DGSF	1,800 DGSF/unit	35 GSF under	Yes

B) Projected 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.

For this project, the State Board Standard for utilization applies only to its surgical suites. The Applicants propose to establish ten surgery rooms, allocating one for Urology, and the remaining nine for General Surgery. Table Six shows that the Applicants did not meet the State standard for historical or projected utilization. The Applicants have not met the requirements of this criterion.

TABLE SIX Historical/Projected Utilization Alton Memorial Hospital			
	2024 / 8 Stations	2029 / 10 Stations	State Standard
Operating Rooms	6,794 hrs.	12,653 hrs.	1,500 hrs./room
Utilization per room	849.25 hrs.	1,265.3 hrs.	1,500 hrs./room
Standard Met?	No	No	

IX. Criterion 1110.270 Clinical Service Areas Other Than Categories of Services

A. Deteriorated Facilities

The proposed project will result in the replacement of equipment or facilities that have deteriorated and need replacement. Documentation shall include, but is not limited to: historical utilization data, downtime or time spent out of service due to operational failures, upkeep and annual maintenance costs, and licensure or fire code deficiency citations involving the proposed project.

According to the Applicants, the Hospital is dated, and the perioperative unit is not only undersized but also has antiquated mechanical services (electrical, plumbing, and HVAC). The Applicants note these deficiencies have resulted in a patient trend to migrate outward, as far as the state of Missouri, for surgical services, and resulting hardships with physician recruitment initiatives have been realized. The Applicants note that the proposed project will not only remediate the mentioned issues but hopefully increase surgical capacity and spur growth in utilization of these services. Listed below are the proposed improvements for AMH's perioperative unit.

1. Surgical Suite Replacement/Expansion

The Applicants state that the hospital currently employs eight surgical suites, with seven suites identified for general surgery and one suite dedicated to urologic procedures. The Applicants propose to modernize and better utilize this space by increasing the number of surgical suites from 8 to 10 and retaining the dedicated urologic surgery suite. No additional space will be introduced to this unit.

2. Post-Anesthesia Recovery/PACU Stage I

The Post-Anesthesia Recovery Stage I (PACU Stage I) unit currently consists of 11 rooms/stations; this project will reduce the number to 10. While the Applicants did not justify this reduction, it is assumed that this reduction coincides with the Applicant's intent to reduce the number of stations used as holding stations by the cardiac catheterization program. The number of rooms/stations will be reduced from 11 to 10 rooms/stations.

3. Post-Anesthesia Recovery/PACU Stage II

The Post-Anesthesia Recovery Stage II (PACU Stage II) unit currently consists of 15 rooms/stations, and this project will increase the number to 31. The Applicants note that these rooms/stations are multi-functional, serving as stations for both pre- and post-procedure care for cardiac catheterization patients.

4. Cardiac Catheterization

The Cardiac Catheterization Program will be included in the modernization portion of this project, and the only changes to note will be in the preparation/recovery area(s).

X. FINANCIAL AND ECONOMIC FEASIBILITY

A) Criterion 1120.120 – Availability of Funds

The Applicants are funding this project in its entirety with cash and securities totaling \$49,341,477. The Applicants provided proof of an Aa2 bond rating from Moody's Ratings Service (dated July 2024), and copies of audited financial statements to prove economic viability to finance this project.

TABLE NINE BJC HealthCare Audited Financial Statements December 31, 2022, and 2023 (dollars in millions)		
	2023	2022
Cash	\$177.0	\$194.6
Current Assets	\$1,556.8	\$1,576.5
Total Assets	\$12,361.8	\$13,076.4
Current Liabilities	\$1,636.7	\$1,572.2
Long Term Liabilities	\$1,773.5	\$1,906.5
Total Liabilities	\$4,477.2	\$4,321.2
Net Patient Service Revenue	\$6,702.6	\$6,025.8
Total Revenue	\$6,990.9	\$6,311.7
Expenses	\$6,849.3	\$6,286.3
Revenue over Expenses	\$141.6	\$25.4

B) Criterion 1120.130 – Financial Viability

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

D) Criterion 1120.140 (b) – Conditions of Debt Financing

The Applicants have supplied proof of an Aa2 Bond Rating, as well as audited financial statements for the years 2022 and 2023, which qualify them for the financial waiver. The Applicants are funding the project in its entirety with cash and securities (\$49,341,477), and the criteria as mentioned above do not apply to this project.

E) Criterion 1120.140 (c) – Reasonableness of Project Costs

Preplanning Costs are \$455,700, which is 1.4% of the modernization, contingency, and movable equipment costs of \$33,447,477. This appears reasonable when compared to the State Board standard of 1.8%.

Modernization Costs are \$24,263,740 or \$735.59 per GSF (\$24,263,740/32,985 GSF = \$735.59). This appears high when compared to the State Board Standard of \$360.22.

Contingency Costs are \$2,183,737, which is 6.4% of the modernization costs. This appears reasonable when compared to the State Board Standard of 10-15%.

A&E Fees are \$2,072,700, which is 7.8% of the modernization and contingency costs of \$26,447,477. This complies with the State standard of 10.59% - 15.89%.

The State Board does not have a standard for these costs:

Consulting and Other Fees	\$686,000
Movable or Other Equipment	\$7,000,000
Other Costs to be Capitalized	\$11,270,000

F) Criterion 1120.140 (d) – Projected Operating Cost

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 to provide the service.

The Direct Operating Costs per Equivalent Patient Day are \$521.35. The State Board does not have a standard for this criterion.

G) Criterion 1120.140 (e) – 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 Effect of the Project on Capital Costs per Equivalent Patient Day is \$228.69. The State Board does not have a standard for this criterion.

**EXPLANATION OF COSTS
(Provided by the Applicants)**

The Project meets all the State Standards for Project Costs except the Modernization standard. The Applicants supplied an explanation for the following costs:

Consulting & Other Fees*

Local Permitting/Approvals	\$1,690,000
CON-Related	\$80,000
Project Management	\$329,000
Interior Design	\$49,000
Equipment Planning	\$100,000
Misc./Other	\$100,000
TOTAL	\$700,000

Other Costs*

Roof and Duct point Replacement	\$2,800,000
Renovation Phasing	\$1,800,000
Off Hours Labor	\$4,000,000
Owner Directed	\$2,000,000
Air Handler	\$900,000
TOTAL	\$11,500,000

*Includes non-clinical costs

2024 Alton Memorial Hospital Utilization									
	Authorized	Staffed						Authorized	Staffed
	Beds	Beds	ADM	Days	OB Days	ALOS	ADC	Occ	Occ
Medical Surgical	117	116	5,770	24,872	3,018	4.83	76.41	65.31%	65.87%
Pediatric	4	4	7	31	4	5.00	0.10	2.40%	2.40%
Intensive Care	12	12	597	2,298	0	3.85	6.30	52.47%	52.47%
Obstetric	28	28	709	1,830	0	2.58	5.01	17.91%	17.91%
Total	161	160	7,083	29,031	3,022	4.53	87.82	54.54%	54.89%

Alton Memorial Hospital Medicare Cost Report					
	2019	2020	2021	2022	2023
Total Patient Revenue	\$558,403,431	\$550,085,349	\$651,669,499	\$697,113,943	\$755,272,427
Contractual All	\$407,485,610	\$408,230,582	\$489,711,354	\$521,323,323	\$568,067,433
Net Patient Revenue	\$151,017,871	\$141,854,767	\$161,958,145	\$175,790,620	\$187,204,994
Operating Expenses	\$152,786,215	\$146,667,170	\$155,057,787	\$174,145,284	\$185,548,675
Net Income from Services	-\$1,768,394	-\$4,812,403	\$6,900,358	\$1,645,336	\$1,656,319
Other Income	\$3,421,009	\$12,073,596	\$7,094,975	\$5,374,800	\$4,893,225
Other Expense	\$10,391,157	\$15,437,434	\$14,143,793	\$17,948,176	\$19,572,953
Net Income	-\$6,970,148	-\$8,176,241	-\$148,460	-\$10,928,040	-\$13,023,409
Operating Margin	-1.17%	-3.39%	4.26%	0.94%	0.88%

25-020 Alton Memorial Hospital - Alton

