



## STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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|                                                                                                     |                                        |                               |                                                   |
|-----------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------|---------------------------------------------------|
| <b>DOCKET NO:</b><br><b>H-04</b>                                                                    | <b>BOARD MEETING:</b><br>June 24, 2025 | <b>PROJECT NO:</b><br>#25-014 | <b>PROJECT COST:</b><br><br>Original: \$6,232,755 |
| <b>FACILITY NAME:</b><br>Chicago Prostate Surgery Center, LLC d/b/a Duly<br>Surgery Center Westmont |                                        | <b>CITY:</b><br>Westmont      |                                                   |
| <b>TYPE OF PROJECT:</b> Non-Substantive                                                             |                                        |                               | <b>HSA: VII</b>                                   |

**DESCRIPTION:** The Applicants (Chicago Prostate Surgery Center, LLC d/b/a Duly Surgery Center Westmont and Surgery Partners, Inc.) propose a 2,302 gross square foot addition to expand the existing surgery center located at 815 Pasquinelli Drive, Westmont, Illinois. The addition will add two operating rooms and six recovery bays, for a total of six operating rooms and 18 recovery bays. The project costs \$6,232,755, and the expected completion date is June 30, 2027.

Information on this project can be found at this link: <https://hfsrb.illinois.gov/project.25-014-Duly-surgery-center-westmont.html>.

## **EXECUTIVE SUMMARY**

### **PROJECT DESCRIPTION:**

- The Applicants (Chicago Prostate Surgery Center, LLC d/b/a Duly Surgery Center Westmont and Surgery Partners, Inc.) propose a 2,302 gross square foot addition to expand the existing surgery center located at 815 Pasquinelli Drive, Westmont, Illinois. The addition will add two operating rooms and six recovery bays, for a total of six operating rooms and 18 recovery bays. The project costs are \$6,232,755, and the expected completion date is June 30, 2027.
- The ASTC is a multi-specialty clinic, offering surgical specialties including general surgery, obstetrics and gynecology (“OB/GYN”), orthopedics, pain management, podiatry, and urology.

### **BACKGROUND:**

- In February 2005, the State Board approved the establishment of a 2-room surgery center to perform urological surgical services (Permit #04-027).
- In March 2019, the State Board approved a change of ownership/control of Chicago Prostate Surgery Center to DuPage Medical Group, Inc.(#E-071-19)
- In August 2019, the Applicants were approved to add the following surgical specialties (Permit #19-018) OB/Gyn, Orthopedics, Pain Management, Podiatry, and General Surgery.
- In August 2024, the State Board approved a change of ownership/control of Chicago Prostate Surgery Center, LLC d/b/a Duly Surgery Center Westmont, to Surgery Partners, Inc.

### **WHY THE PROJECT IS BEFORE THE STATE BOARD:**

- The project is before the State Board because the project is by or on behalf of a health care facility, and the project's cost exceeds the capital expenditure minimum of **\$4,500,708**.

### **PUBLIC HEARING/COMMENT:**

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

### **SUMMARY**

- As described in the Application for Permit, the Applicant’s decision to expand this ASC was based on the historical surgical procedure volumes performed at Duly Lombard and Duly Westmont- See tables below. Neither Surgery Center provided Medicaid or Charity Care for 2019 through 2023.
- The Applicant stated: *“While some physicians who perform cases at the Surgery Center are enrolled Medicaid providers and regularly see Medicaid patients in settings such as emergency departments and other hospital settings, they do not refer Medicaid or charity care cases to the ASC. This is not due to a lack of willingness to serve these patients, but rather, because of the financial realities that ASCs face. Unlike tax-exempt providers, an ASC is not eligible for community benefit "credit" or other incentives for providing charity care or cases for which the reimbursement does not cover the costs of care. As a result, performing a significant number of Medicaid cases would lead to financial losses for those cases for the surgery center. As an expression of collaboration with the State, the Surgery Center is enrolling in the BlueCross Community Health Plan which is the Medicaid managed care plan offered under HealthChoice Illinois. With that enrollment, the ASC will see a limited number of patients covered by this plan after such enrollment if it can minimize those cases to those where the financial losses are more nominal.”*
- The Applicant attributes the need for the proposed project to the following:
  1. The high case volume at both Duly Lombard and Duly Westmont Surgery Centers
  2. The aging population requiring minimally invasive surgery.

| Duly Surgery Center Lombard |         |         |         |         |         |         |
|-----------------------------|---------|---------|---------|---------|---------|---------|
|                             | 2019    | 2020    | 2021    | 2022    | 2023    | Ave     |
| Rooms                       | 11      | 11      | 11      | 11      | 11      | 11      |
| Cases                       | 24,581  | 20,290  | 22,819  | 24,123  | 24,734  | 23,309  |
| Hours                       | 26,588  | 18,861  | 21,327  | 21,154  | 21,752  | 21,936  |
| Utilization                 | 161.14% | 114.31% | 129.25% | 128.21% | 131.83% | 132.95% |
| Medicaid                    | 0       | 6       | 0       | 0       | 0       | 0       |
| Charity                     | 0       | 0       | 0       | 0       | 0       | 0       |

| Duly Surgery Center Westmont |        |         |        |        |         |        |
|------------------------------|--------|---------|--------|--------|---------|--------|
|                              | 2019   | 2020    | 2021   | 2022   | 2023    | Ave    |
| Rooms                        | 2      | 2       | 4      | 4      | 4       | 4      |
| Cases                        | 521    |         | 1,453  | 3,188  | 3,776   | 2,235  |
| Hours                        | 521    |         | 2,602  | 5,533  | 6,294   | 3,738  |
| Utilization                  | 17.31% | No Data | 43.37% | 92.22% | 104.90% | 62.29% |
| Medicaid                     | 0      |         | 0      | 0      | 0       | 0      |
| Charity                      | 0      |         | 0      | 0      | 0       | 0      |

| State Board Standards Not Met                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Criteria                                               | Reasons for Non-Compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 77 ILAC 1120.140 (c) – Reasonableness of Project Costs | <p><b>Site Survey, Soil Investigation, and Site Preparation</b> total \$297,131 and are 7.3% of new construction, modernization, and contingencies of \$4,047,932. This is HIGH when compared to the State Board Standard of 5%.</p> <p><b>New Construction and Contingency Costs</b> total \$2,896,632 or \$1,2383.97 per GSF. This appears HIGH compared to the State Board Standard of \$495.41 per gross square foot.</p> <p><b>The Modernization and Contingency Costs</b> total \$1,151,298, or \$571.36 per GSF. This appears HIGH compared to the State Board Standard of \$345.59 per gross square foot.</p> <p><b>Explanation of the costs is provided at the end of this report.</b></p> |

## STATE BOARD STAFF REPORT

Project # 25-014

Chicago Prostate Surgery Center, LLC d/b/a Duly Surgery Center Westmont

| APPLICATION/CHRONOLOGY/SUMMARY                   |                                                                                                    |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Applicants                                       | Chicago Prostate Surgery Center, LLC d/b/a Duly Surgery Center Westmont and Surgery Partners, Inc. |
| Facility Name                                    | Chicago Prostate Surgery Center, LLC d/b/a Duly Surgery Center Westmont                            |
| Location                                         | 815 Pasquinelli Drive, Westmont, Illinois                                                          |
| Permit Holder                                    | Chicago Prostate Surgery Center, LLC d/b/a Duly Surgery Center Westmont and Surgery Partners, Inc. |
| Operating Entity/Licensee                        | Chicago Prostate Surgery Center, LLC d/b/a Duly Surgery Center Westmont                            |
| Owner of Site                                    | HSRE Chicago Prostate MOB, LLC                                                                     |
| Application Received                             | March 31, 2025                                                                                     |
| Application Deemed Complete                      | April 4, 2025                                                                                      |
| Review Period Ends                               | June 3, 2025                                                                                       |
| Project Completion Date                          | June 30, 2027                                                                                      |
| Review Period Extended by the State Board Staff? | No                                                                                                 |
| Can the Applicants request a deferral?           | Yes                                                                                                |

### I. Project Description

The Applicants (Chicago Prostate Surgery Center, LLC d/b/a Duly Surgery Center Westmont and Surgery Partners, Inc.) propose a 2,302 gross square foot addition to expand the existing surgery center located at 815 Pasquinelli Drive, Westmont, Illinois. The addition will add two operating rooms and six recovery bays, for a total of six operating rooms and 18 recovery bays. The project costs are \$6,232,755, and the expected completion date is June 30, 2027.

### II. Summary of Findings

- A. State Board Staff finds the proposed project is in conformance with the provisions of 77 ILAC 1110 (Part 1110).
- B. State Board Staff finds the proposed project is **not** in conformance with the provisions of 77 ILAC 1120 (Part 1120).

### III. General Information

The Applicants are Chicago Prostate Surgery Center, LLC d/b/a Duly Surgery Center Westmont, and Surgery Partners, Inc. Surgery Partners, Inc. is a healthcare services company that owns and operates a network of surgical facilities and ancillary services in the United States. They provide a range of surgical procedures in various specialties, including orthopedics, pain management, ophthalmology, gastroenterology, and general surgery. They also offer emergency departments and ancillary services like multi-specialty physician practices, urgent care facilities, and anesthesia services. Surgery Partners Inc. operates over 200 facilities in the United States. These facilities include ambulatory

surgery centers, surgical hospitals, multi-specialty physician practices, and urgent care facilities. The company is present in 33 states.

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

#### IV. Health Service Area

The Surgery Center is in Health Service Area VII, ASTC Planning Area. There are approximately 66 ASTCs in this ASTC planning area, which includes DuPage County and Suburban Cook County. The State Board is projecting a population of 3,313,897 residents in this ASTC Planning Area by 2030, a decrease of approximately 3.7% from 2021. The Applicants state that the service area for this project is a 10-mile radius from the ASTC.

#### V. Project Details

The Applicants are asking the State Board to approve two operating rooms for six operating rooms in 13,243 total GSF at the ASTC. As mentioned above, the Applicants added two operating rooms in 2020 for \$1.444 million. The Department of Public Health granted occupancy on October 5, 2021. No certificate of need application was submitted to add these two rooms because the cost was less than the minimum capital expenditure.

#### VI. Project Uses and Sources of Funds

The Applicants are funding this project with \$6,232,755 in cash.

| <b>TABLE ONE</b>                                           |                    |                     |                    |                   |
|------------------------------------------------------------|--------------------|---------------------|--------------------|-------------------|
| <b>Project Uses and Sources of Funds</b>                   |                    |                     |                    |                   |
| <b>USE OF FUNDS</b>                                        | <b>Clinical</b>    | <b>Non-Clinical</b> | <b>Total</b>       | <b>% of Total</b> |
| Site Survey and Soil Investigation                         | \$24,201           | \$799               | \$25,000           | 0.40%             |
| Site Preparation                                           | \$272,930          | \$9,010             | \$281,940          | 4.52%             |
| New Construction Contracts                                 | \$2,641,309        | \$87,198            | \$2,728,507        | 43.78%            |
| Modernization Contracts                                    | \$1,046,634        | \$34,553            | \$1,081,187        | 17.35%            |
| Contingencies                                              | \$359,989          | \$11,884            | \$371,873          | 5.97%             |
| Architectural/Engineering Fees                             | \$314,613          | \$10,387            | \$325,000          | 5.21%             |
| Consulting and Other Fees                                  | \$111,568          | \$3,683             | \$115,251          | 1.85%             |
| Movable or Other Equipment (not in construction contracts) | \$1,204,000        | \$0                 | \$1,204,000        | 19.32%            |
| Other Costs to Be Capitalized                              | \$96,804           | \$3,196             | \$100,000          | 1.60%             |
| <b>TOTAL USES OF FUNDS</b>                                 | <b>\$6,072,048</b> | <b>\$160,710</b>    | <b>\$6,232,758</b> | <b>100.00%</b>    |
| <b>SOURCE OF FUNDS</b>                                     |                    |                     | <b>\$0</b>         |                   |
| Cash and Securities                                        |                    |                     | \$6,232,755        | 100.00%           |
| <b>TOTAL SOURCES OF FUNDS</b>                              |                    |                     | <b>\$6,232,755</b> | <b>100.00%</b>    |

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

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

### **A) Background of Applicant**

An applicant must demonstrate that it is fit, willing and able, and *has the qualifications, background and character to provide a proper health care service for the community adequately.* [20 ILCS 3960/6]

The Applicants provided a listing of other health care facilities they own. They attested that no “adverse action” was taken against them or any Illinois health care facilities owned and operated by them in the last three years before filing this Application for Permit. Duly Westmont Surgery Center has been accredited by The Joint Commission.

The Applicants authorizes HFSRB and IDPH to access any documents necessary to verify the information submitted with this application relating to the Applicants, including, but not limited to official records of IDPH or other State agencies; the licensing or certification records of different states, when applicable; and the records of nationally recognized accreditation organizations. (Application for Permit pages 150-156) The Applicants appear fit, willing, and able, and have the qualifications, background, and character to provide a proper health care service for the community.

Facilities owned by

#### **Surgery Partners:**

- Gold Coast Surgicenter
- NovaMed Eye Surgery Center – Northshore
- Valley Ambulatory Surgery Center
- Duly Surgery Center Lombard
- Duly Surgery Center Westmont

### **B) Purpose of Project**

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

The Applicants state that the project aims to address the high utilization of Duly Surgery Center Westmont and Duly Surgery Center Lombard facilities, which are approximately three miles apart (Application for Permit pages 156-158).

| <b>TABLE TWO</b>                   |             |             |             |             |             |            |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|------------|
| <b>Duly Surgery Center Lombard</b> |             |             |             |             |             |            |
|                                    | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>Ave</b> |
| Rooms                              | 11          | 11          | 11          | 11          | 11          | 11         |
| Cases                              | 24,581      | 20,290      | 22,819      | 24,123      | 24,734      | 23,309     |
| Hours                              | 26,588      | 18,861      | 21,327      | 21,154      | 21,752      | 21,936     |
| Utilization                        | 161.14%     | 114.31%     | 129.25%     | 128.21%     | 131.83%     | 132.95%    |
| Medicaid                           | 0           | 6           | 0           | 0           | 0           | 0          |
| Charity                            | 0           | 0           | 0           | 0           | 0           | 0          |

| <b>TABLE THREE</b>                  |             |             |             |             |             |            |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|------------|
| <b>Duly Surgery Center Westmont</b> |             |             |             |             |             |            |
|                                     | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>Ave</b> |
| Rooms                               | 2           | 2           | 4           | 4           | 4           | 4          |
| Cases                               | 521         |             | 1,453       | 3,188       | 3,776       | 2,235      |
| Hours                               | 521         |             | 2,602       | 5,533       | 6,294       | 3,738      |
| Utilization                         | 17.31%      | No Data     | 43.37%      | 92.22%      | 104.90%     | 62.29%     |
| Medicaid                            | 0           |             | 0           | 0           | 0           | 0          |
| Charity                             | 0           |             | 0           | 0           | 0           | 0          |

### **C) Safety Net Impact Statement**

This is a non-substantive project; a safety net impact statement is not required.

### **D) Alternatives to the Proposed Project**

The Applicants considered four alternatives to the proposed project.

- Do Nothing
- Utilize Existing Facilities
- Invest in Existing Surgery Center
- Expand Duly Surgery Center Lombard

All four alternatives were rejected. The first alternative was rejected because, according to the Applicants, this alternative would not address the high utilization at the Surgery Center. According to the Applicants, the second alternative of utilizing hospitals is not cost-effective for payors, patients, and employers. Utilizing other ASTCs in the service area was rejected because either the ASTC did not have the capacity or the Duly physicians were not on staff. The third alternative was dismissed because it was less cost-effective and efficient than expanding the existing ASTC. The fourth alternative was rejected because the Lombard facility is landlocked. (Application for Permit page 159-160)

## VIII. Size of the Project and Projected Utilization

- A) Criterion 1110.120 (a) - Size of the Project
- B) Criterion 1110.120 (b) - Projected Utilization

### A) Size of the Project

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.

The State Board size standard for surgery rooms is 2,075 to 2,750 GSF per room. The Applicants propose 13,243 GSF for the six surgery rooms, or 2,207 GSF per room. The Applicants have successfully addressed this criterion.

### 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. The number of years projected shall not exceed the number of historical years documented. 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, that minimally include the following:

The Applicants propose to transfer 1,545 cases and 1,714 hours from Duly Surgery Center Lombard to Duly Surgery Center Westmont. Should these transfers occur, the Applicants can justify the proposed six operating rooms. Table Four illustrates the effect the transfer of cases would accomplish.

| <b>TABLE FOUR</b>                   |             |             |            |                     |              |
|-------------------------------------|-------------|-------------|------------|---------------------|--------------|
| <b>Duly Surgery Center Lombard</b>  |             |             |            |                     |              |
|                                     | <b>2022</b> | <b>2023</b> | <b>Ave</b> | <b>Transfer Out</b> | <b>Total</b> |
| Rooms                               | 11          | 11          | 11         |                     | 11           |
| Cases                               | 24,123      | 24,734      | 24,429     | 1,545               | 22,884       |
| Hours                               | 21,154      | 21,752      | 21,453     | 1,714               | 19,739       |
| %                                   | 128.21%     | 131.83%     | 130.02%    |                     | 119.63%      |
| <b>Duly Surgery Center Westmont</b> |             |             |            |                     |              |
|                                     | <b>2022</b> | <b>2023</b> | <b>Ave</b> | <b>Transfer In</b>  | <b>Total</b> |
| Rooms                               | 4           | 4           | 4          |                     | 6            |
| Cases                               | 3,188       | 3,776       | 3,482      | 1,545               | 5,027        |
| Hours                               | 5,533       | 6,294       | 5,914      | 1,714               | 7,628        |
| %                                   | 92.22%      | 104.90%     | 98.56%     |                     | 84.75%       |

## IX. Non-Hospital Based Ambulatory Surgical Treatment Center Services

|                                    |                       |   |                                |
|------------------------------------|-----------------------|---|--------------------------------|
| Expansion of Existing ASTC Service | (c)(2)(B)(i) & (ii)   | – | Service to GSA Residents       |
|                                    | (c)(4)(A) through (C) | – | Service Demand – Expansion     |
|                                    | (c)(5)(A) & (B)       | – | Treatment Room Need Assessment |
|                                    | (c)(8)(A) & (B)       | – | Staffing                       |
|                                    | (c)(9)                | – | Charge Commitment              |
|                                    | (c)(10)(A) & (B)      | – | Assurances                     |

### A) Service to Geographic Service Area Residents

The Applicants shall document that the project's primary purpose will be to provide necessary health care to the residents of the geographic service area (GSA) where the proposed project will be physically located.

i) *The Applicants shall provide a list of zip code areas (in total or part) that comprise the GSA. The GSA is the area consisting of all zip code areas that are located within the established radii outlined in 77 Ill. Adm.. Code 1100.510(d) of the project's site.*

ii) *The Applicants shall provide patient origin information by zip code for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the GSA. Patient origin information shall be based upon the patient's legal residence (other than a health care facility) for the last 6 months immediately before admission.*

The Applicants provided a list of zip codes on pages 165-167 and estimated the population in the 10-mile GSA to be 1.67 million residents. Based on the physician referral letters, 70% of the patient referrals for the most recent 12 months came from within the 10-mile GSA. The Applicants have successfully addressed the requirements of this criterion. (Application for Permit pages 299-306)

### B) Service Demand – Expansion

*The Applicants shall document that the proposed project is necessary to accommodate the service demand they have experienced annually over the last two years, as evidenced by historical and projected referrals.*

The Applicants propose to transfer 1,545 cases and 1,714 hours from Duly Surgery Center Lombard to Duly Surgery Center Westmont. The physicians listed below in Table Five have provided referral letters indicating the cases they will perform at Duly Surgery Center Westmont should the State Board approve this project. There will be sufficient demand to justify the two additional surgery rooms.

| TABLE FIVE                                                |                 |       |                |       |
|-----------------------------------------------------------|-----------------|-------|----------------|-------|
| Physicians to refer cases to Duly Surgery Center Westmont |                 |       |                |       |
| Physicians                                                | Specialty       | Cases | Hours per Case | Total |
| David De Haas                                             | General Surgery | 347   | 1.27           | 441   |
| Bart Green                                                | General Surgery | 121   | 1.27           | 154   |
| Mark Morrison                                             | OB/GYN          | 25    | 0.94           | 24    |
| Kimberly Napolitano                                       | OB/GYN          | 33    | 0.94           | 31    |
| Elizabeth Potocaik                                        | OB/GYN          | 27    | 0.94           | 25    |

| <b>TABLE FIVE</b>                                         |                 |       |                |       |
|-----------------------------------------------------------|-----------------|-------|----------------|-------|
| Physicians to refer cases to Duly Surgery Center Westmont |                 |       |                |       |
| Physicians                                                | Specialty       | Cases | Hours per Case | Total |
| Chris Huang                                               | Ortho           | 245   | 1.29           | 316   |
| Martin Fetzner                                            | Pain Management | 311   | 0.49           | 152   |
| Dianna Tabor                                              | Podiatry        | 97    | 1.6            | 155   |
| Craig Smith                                               | Urology         | 339   | 1.22           | 414   |
| Total                                                     |                 | 1,545 |                | 1,711 |

**C) Treatment Room Need Assessment**

A) The applicant shall document that the proposed number of surgical/treatment rooms for each ASTC service is necessary to service the projected patient volume. The number of rooms shall be justified based upon an annual minimum utilization of 1,500 hours of use per room, as established in 77 Ill. Adm. Code 1100.

B) For each ASTC service, the applicant shall provide the number of patient treatments/sessions, the average time (including setup and cleanup time) per patient treatment/session, and the methodology used to establish the average time per patient treatment/session (e.g., experienced historical caseload data, industry norms or special studies).

The Applicants propose to transfer 1,545 cases and 1,714 hours from Duly Surgery Center Lombard to Duly Surgery Center Westmont. They are proposing six operating rooms, and should the 1,711 hours materialize, the Applicants can justify the proposed number of operating rooms. Table Six below outlines the surgical specialty, the number of cases, and the approximate time per case as required.

| <b>TABLE SIX</b>                            |       |                |       |
|---------------------------------------------|-------|----------------|-------|
| Listing of Specialties and Approximate Time |       |                |       |
| Specialties                                 | Cases | Hours per Case | Total |
| General Surgery                             | 347   | 1.27           | 441   |
| General Surgery                             | 121   | 1.27           | 154   |
| OB/GYN                                      | 25    | 0.94           | 24    |
| OB/GYN                                      | 33    | 0.94           | 31    |
| OB/GYN                                      | 27    | 0.94           | 25    |
| Ortho                                       | 245   | 1.29           | 316   |
| Pain Management                             | 311   | 0.49           | 152   |
| Podiatry                                    | 97    | 1.6            | 155   |
| Urology                                     | 339   | 1.22           | 414   |
| Total                                       | 1,545 |                | 1,711 |

## D) Staffing

The Applicants shall document that relevant clinical and professional staffing needs for the proposed project were considered and that the staffing requirements of licensure and The Joint Commission or other nationally recognized accrediting bodies can be met. In addition, the Applicants shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

### B) Medical Director

It is recommended that the procedures for each ASTC service be directed by a physician who is board-certified or board-eligible by the appropriate professional standards organization or entity that credentials or certifies the health care worker for competency in that category of service.

Duly Westmont Surgery Center will be staffed in accordance with the State of Illinois and the Joint Commission's<sup>1</sup> Staffing requirements. Dr. Saad Kamal is the Medical Director. The Applicants have met the requirements of this criterion.

| TABLE SEVEN                                            |    |
|--------------------------------------------------------|----|
| Number of Personnel at Duly<br>Surgery Center Westmont |    |
| Administration                                         | 5  |
| Anesthesia Tech                                        | 1  |
| Registered Nurses                                      | 17 |
| Surgical Tech                                          | 11 |
| Radiation Tech                                         | 2  |
| OR Point of Care<br>Tech                               | 3  |
| Sterile Processing<br>Tech                             | 6  |
| Supply Chain                                           | 2  |
| Total                                                  | 47 |

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<sup>1</sup>The Joint Commission's staffing regulations **primarily focus on ensuring that healthcare organizations have adequate and qualified staff to deliver safe, high-quality care.** These regulations cover direct and indirect caregivers, including nurses, and emphasize the importance of proper staffing levels and the skills necessary to care for patients.

**Adequate Staffing:** Organizations must have enough staff to meet the needs of their patients, considering factors like patient acuity, volume, and the specific services offered.

**Qualified Staff:** Staff must have the necessary education, training, licensure, and competence to perform their duties effectively.

**Performance Evaluation:** Organizations should have systems in place to assess the competence and performance of their staff, including ongoing evaluations.

**Nursing Staffing:** Specific attention is given to nurse staffing, with organizations expected to ensure nurses assigned to patients have the skills to provide appropriate care.

**Staffing Ratios:** While the Joint Commission doesn't mandate specific nurse-to-patient ratios, it does encourage organizations to consider factors like patient acuity and unit type when determining staffing needs. Some resources suggest ratios of 1:4-5 on medical-surgical units, 1:3-4 on intermediate units, and 1:2 in ICUs.

**Data Collection and Analysis:** Organizations should collect and analyze data related to staffing, including indicators like patient safety events and staff turnover, to identify areas for improvement. **Performance Measures:** Organizations should also have systems in place to monitor their performance on key measures, such as the HCSS-4 and HCSS-5 "Do Not Return" measures, and ensure that staffing practices are effective in meeting the needs of the patients and staff.

**Contract Staff:** The same Human Resource (HR) standards that apply to employees also apply to contract staff, ensuring that they are qualified and competent and that the organization's policies and procedures are followed.

In essence, the Joint Commission's staffing regulations aim to ensure that healthcare organizations have a workforce that is both adequate in size and qualified in skills to deliver safe and high-quality care.

### **E) Charge Commitment**

In order to meet the objectives of the Act, which are to improve the financial ability of the public to obtain necessary health services; and to establish an orderly and comprehensive health care delivery system that will guarantee the availability of quality health care to the general public; and cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process [20 ILCS 3960/2], the Applicants shall submit the following:

- A) a statement of all charges, except for any professional fee (physician charge); and
- B) a commitment that these charges will not increase, at a minimum, for the first 2 years of operation unless a permit is first obtained under 77 Ill. Adm. Code 1130.310(a).

A statement of charges has been provided on pages 172-179 of the Application for Permit, along with a letter documenting that charges will not be increased for a minimum of two years after the completion of the expansion (Application for Permit page 181). The Applicants have successfully addressed this criterion.

### **F) Assurances**

A) The Applicants shall attest that a peer review program exists or will be implemented that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for the ASTC services, and if outcomes do not meet or exceed those standards, a quality improvement plan will be initiated.

B) The Applicants shall document that, in the second year of operation after the project completion date, the annual utilization of the surgical/treatment rooms will meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100. Documentation shall include, but not be limited to, historical utilization trends, population growth, expansion of professional staff or programs (demonstrated by signed contracts with additional physicians), and the provision of new procedures that would increase utilization.

A letter documenting that a peer review program exists and that the six operating rooms will meet or exceed the State Board utilization standard by the second year after project completion has been provided as required. The Applicants have successfully addressed this criterion.

## **X. Financial and Economic Feasibility**

- A) Criterion 1120.120 – Availability of Funds
- B) Criterion 1120.130 – Financial Viability

The Applicants are modernizing and expanding the ASTC with \$6,232,755 in cash. No financial viability ratios are required because the project is funded entirely from internal sources. Surgery Partners' cash and cash equivalents total \$269.50 million as of December 31, 2024, and \$195.90 million as of December 31, 2023. Net working capital was approximately \$495.0 million on December 31, 2024. Surgery Partners believes cash flows from operations, available cash, and available capital on their revolver<sup>2</sup>, and continued access to capital markets will be adequate to meet short-term and long-term liquidity needs. (Page 37 of Form 10-K)

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<sup>2</sup> A revolving loan facility, also called a revolving credit facility or simply revolver, is a form of credit issued by a financial institution that provides the borrower with the ability to draw down or withdraw, repay, and withdraw again.

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**TABLE EIGHT**

Surgery Partners

(in millions)

December 31<sup>st</sup>

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|                             | 2024       | 2023       |
|-----------------------------|------------|------------|
| Cash                        | \$269.50   | \$195.90   |
| Current Assets              | \$1,119.40 | \$895.00   |
| Total Assets                | \$7,890.00 | \$6,876.70 |
| Current Liabilities         | \$624.40   | \$523.00   |
| LTD                         | \$3,268.90 | \$2,701.80 |
| Total Long-Term Liabilities | \$4,069.20 | \$3,318.40 |
| Stockholder Equity          | \$3,196.40 | \$3,034.50 |
| Revenue                     | \$2,024.00 | \$2,023.00 |
| Patient Revenue             | \$3,054.40 | \$2,700.40 |
| Total Revenue               | \$3,114.30 | \$2,743.30 |
| Expense                     | \$2,765.50 | \$2,415.30 |
| Operating Income            | \$348.80   | \$328.00   |
| Interest Expense            | \$201.70   | \$193.00   |
| Income before Tax           | \$147.10   | \$135.00   |
| Income Tax Expense          | \$134.60   | \$0.30     |
| Net Income                  | \$12.50    | \$135.30   |

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## **XI. Economic Feasibility**

### **A) Criterion 1120.140 (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 of 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 the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within 60 days.

No debt is being used to finance this project. This criterion does not apply to this project.

### **B) Criterion 1120.140 (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) That the project involves (in total or in part) the leasing of equipment or facilities, and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment

No debt is being used to finance this project. This criterion does not apply to this project.

### **C) Criterion 1120.140 (c) – Reasonableness of Project Costs**

The applicant shall document that the estimated project costs are reasonable

**Site Survey, Soil Investigation, and Site Preparation** total \$297,131 and are 7.3% of new construction, modernization, and contingencies of \$4,047,932. This is HIGH when compared to the State Board Standard of 5%.

**New Construction and Contingency Costs** total \$2,896,632 or \$1,2383.97 per GSF. This appears HIGH compared to the State Board Standard of \$495.41 per gross square foot.

**The Modernization and Contingency Costs** total \$1,151,298, or \$571.36 per GSF. This appears HIGH compared to the State Board Standard of \$345.59 per gross square foot.

**Architectural and Engineering Fees** total \$314,614, accounting for 7.77% of new construction and modernization contracts. This appears reasonable compared to the State Board Standard of 6.42% -9.64%.

**Movable Equipment** totals \$1,204,000 and is \$602,000 per operating room. This appears reasonable when compared to the State Board Standard of \$602,324.

The State Board does not have a standard for the following:

|                           |           |
|---------------------------|-----------|
| Consulting Fees           | \$111,568 |
| Other Costs to Capitalize | \$96,804  |

**D) Criterion 1120.140 (d) – Direct 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 mean the fully allocated salaries, benefits, and supplies for the service.

Operating Cost per case is \$5,700. The State Board does not have a standard for these costs.

**E) 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 Capital Cost per case is \$1,230. The State Board does not have a standard for these costs.

## **Explanation of Costs**

This operating room addition plan is unique as a project, because it only entails adding operating rooms and prep/recovery bays to an existing ASTC without the larger clinical support spaces that are included in a typical ASTC construction project. Because the surgery center is already constructed, the project doesn't include the less complex support spaces such as waiting areas, staff areas, and nonclinical use spaces. As such, there are no low cost per square foot areas to help offset the high cost per square foot of operating rooms and prep/recovery spaces. Further, given the Trump administration's tariff plans, construction costs per square foot are inflated to allow for price increases and potential supply chain impacts. Also factored in the cost per square foot is the need to work around an operational healthcare facility. Overtime costs and extensive infection control prevention measures add complexity and costs to the scope of work. The need to maintain uninterrupted healthcare services while expanding infrastructure requires meticulous planning and execution, leading to higher costs. Further, this expansion has an extremely small footprint not allowing the project to benefit from any economies of scale like mid-sized to larger projects do. This smaller project size ultimately results in higher costs per square foot than average. For example, large construction projects can achieve better pricing on materials and labor due to bulk purchasing and more efficient use of resources. This impact is even more pronounced with an ASC project that involves specialized medical equipment and expensive infrastructure. Similarly, certain fixed costs associated with construction (like permitting, site preparation, and utility connections) are spread over fewer square feet in a smaller facility, increasing the cost per square foot. The same holds true for overhead costs such as project management, design, and other administrative costs that don't scale linearly with project size. The schedule for smaller-sized projects is also a driver of costs, as the limited space does not allow for multiple trades or additional tradesmen to be working at the same time. This extends the schedule and therefore costs as well from a typical sized project. Overall, the small size of this project in relation to its high complexity is the largest driver of atypical construction costs.

## 25-014 Duly Surgery Center Westmont - Westmont

