



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-08	BOARD MEETING: March 18, 2025	PROJECT NO: #24-039	PROJECT COST: Original: \$713,000
FACILITY NAME: The Midland Surgical Center. LLC d/b/a Northwestern Medicine Surgery Center Sycamore		CITY: Warrenville	
TYPE OF PROJECT: Non-Substantive			HSA: I

DESCRIPTION: The Applicants (The Midland Surgical Center. LLC d/b/a Northwestern Medicine Surgery Center Sycamore, Kishwaukee Community Hospital d/b/a Northwestern Medicine Kishwaukee Hospital, and Northwestern Memorial Healthcare) propose to add gastroenterology as an approved surgical specialty. The project costs is \$713,000 and is expected to be completed by June 30, 2026.

Information on this Application for Permit can be found at:
<https://hfsrb.illinois.gov/project.24-039-midland-surgical-center.html>

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (The Midland Surgical Center. LLC d/b/a Northwestern Medicine Surgery Center Sycamore, Kishwaukee Community Hospital d/b/a Northwestern Medicine Kishwaukee Hospital, and Northwestern Memorial Healthcare) propose to add gastroenterology as an approved surgical specialty. The project costs \$713,000 and is expected to be completed by June 30, 2026.
- The Northwestern Medicine Surgery Center (“NMSC”) is a multispecialty ambulatory surgical treatment center (ASTC) wholly owned by NM Kishwaukee Hospital. It is located at 2120 Midlands Court in Sycamore, less than a mile from the hospital. NMSC has three (3) operating rooms and is currently authorized to perform cases in neurology, OB/gynecology, ophthalmology, orthopedics, otolaryngology, pain management, plastic surgery, podiatry, and urology.

BACKGROUND

- The State Board approved The Midland Surgical Center in August 2003 to establish a multi-specialty ASTC (Permit #03-19) for approximately \$3 million. In January 2010, the ASTC was purchased by Kishwaukee Community Hospital (#E-001-10). In November 2015, Northwestern Memorial Healthcare purchased the Surgery Center (#E-009-15) and Kishwaukee Community Hospital (#E-007-15).

PURPOSE OF THE PROJECT

- The purpose of this project is to improve utilization at an existing ASTC.

PUBLIC COMMENT:

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

SUMMARY

- The Applicants state the purpose of this project is to increase access to surgical care for Northwestern Medicine patients and the residents of Dekalb County and surrounding areas. According to the Applicants, adding gastroenterology to NMSC Sycamore gives patients a non-hospital option for their G.I. procedures. The Applicants believe this project will also alleviate projected capacity constraints in the endoscopy suites at NM Kishwaukee Hospital.
- The Northwestern Medicine Surgery Center Sycamore currently has three operating rooms, and this Application for Permit proposes no new operating procedure rooms. The Applicants cannot justify the existing three operating rooms for the past number of years and believe with the addition of gastroenterology surgical services and assuming a 25% annual growth from CY25 - CY27 (**with** additional physicians performing cases at the ASC in all specialties), the Surgery Center **will** be able to justify three operating rooms.
- Forecasted volume is based on existing case volume, increasing need from surgeons to schedule surgeries at Applicant’s ASTC, and four market factors: an aging demographic, health conditions requiring intervention, value offered by ambulatory surgery centers over hospital-based services, and consumer choice.
- There are two ASTCs and one hospital within a 17-mile radius of Northwestern Medicine Surgery Center Sycamore. All ASTCs are underutilized. One ASTC, Valley Ambulatory Surgery Center, provides gastro services.

- The addition of gastroenterology surgical service will not increase utilization sufficiently to justify the existing three operating rooms. The Applicants believe that with the addition of gastroenterology, NMSC anticipates an additional 995 hours in CY25, bringing the three operating rooms closer to target utilization.

	Historical		Projected	
	2022	2023	2026	2027
Hours	1,327	1,102	2,621	3,277
Operating Rooms Justified	0.885	0.735	1.75	2.2
Utilization	23.6%	19.6%	46.6%	58.3%

- The Applicants addressed a **total of 21 criteria and have not met the following:**

Criterion	Non-Compliant
III. Adm. Code 1110.120 (b) – Projected Utilization III. Adm. Code 1110.235 (c) (5) (A) (B) – Treatment Room Need Assessment	The referrals from the Hospital’s two gastro rooms to the ASTC will not increase the utilization of the ASTCs’ operating rooms above the State Board’s target. The three operating rooms at the ASTC will remain underutilized.
III. Adm. Code 1110.235 (c) (7) Unnecessary Duplication of Service	One ASTC in the 17-mile GSA provides gastro service and is underutilized – Valley Ambulatory Surgery Center.



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State Board Staff Report

PROJECT #24-039

The Midland Surgical Center, LLC

d/b/a Northwestern Medicine Surgery Center Sycamore

APPLICATION/CHRONOLOGY/SUMMARY	
Applicants	The Midland Surgical Center, LLC d/b/a Northwestern Medicine Surgery Center Sycamore, Kishwaukee Community Hospital d/b/a Northwestern Medicine Kishwaukee Hospital, and Northwestern Memorial Healthcare
Facility Name	The Midland Surgical Center
Location	2120 Midlands Court, Sycamore, Illinois
Permit Holder	The Midland Surgical Center, LLC d/b/a Northwestern Medicine Surgery Center Sycamore, Kishwaukee Community Hospital d/b/a Northwestern Medicine Kishwaukee Hospital, and Northwestern Memorial Healthcare
Operating Entity	The Midland Surgical Center, LLC d/b/a Northwestern Medicine Surgery Center Sycamore
Owner of Site	Kishwaukee Community Hospital d/b/a Northwestern Medicine Kishwaukee Hospital
Application Received	November 25, 2024
Application Deemed Substantially Complete	December 2, 2024
Review Period Ends	January 31, 2025
Project Completion Date	June 30, 2026
Does the State Board staff extend the review period?	No
Can the Applicants request a deferral?	Yes

I. The Proposed Project

The Applicants (The Midland Surgical Center. LLC d/b/a Northwestern Medicine Surgery Center Sycamore, Kishwaukee Community Hospital d/b/a Northwestern Medicine Kishwaukee Hospital, and Northwestern Memorial Healthcare) propose to add gastroenterology as an approved surgical specialty. The project costs \$713,000 and is expected to be completed by June 30, 2026.

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 in conformance with the provisions of Part 1120.

III. General Information

The Applicants (The Midland Surgical Center, LLC d/b/a Northwestern Medicine Surgery Center Sycamore, Kishwaukee Community Hospital d/b/a Northwestern Medicine Kishwaukee Hospital, and Northwestern Memorial Healthcare) are Illinois, non-profit, tax-exempt corporations that oversee an integrated health care delivery system comprised of teaching and community hospitals, physician groups, behavioral health providers, post-acute care providers, and other caregivers serving patients in DeKalb County. This project is a non-substantive project subject to a 60-day review. Financial commitment will occur after permit issuance. This project is subject to a Part 1110 and Part 1120 review. Northwestern Memorial HealthCare owns the following facilities:

TABLE ONE	
Northwestern Memorial HealthCare	
Northwestern Memorial Hospital	Chicago
Northwestern Lake Forest Hospital	Lake Forest
Central DuPage Hospital Association	Winfield
Delnor-Community Hospital	Geneva
Marianjoy Rehabilitation Hospital	Wheaton
Kishwaukee Community Hospital	Kishwaukee
Valley West Community Hospital	Sandwich
Northern Illinois Medical Center	McHenry
Northern Illinois Medical Center	Huntley
Memorial Medical Center	Woodstock
Palos Community Hospital	Palos Heights
Grayslake ASTC	Grayslake
Grayslake Endoscopy ASTC	Grayslake
Cadence Ambulatory Surgery Center	Warrenville
The Midland Surgical Center	Sycamore
Palos Health Surgery Center*	Orland Park
River North Same Day Surgery Center	Chicago
Grayslake Freestanding Emergency Center	Grayslake
Illinois Proton Center	Warrenville
* >50% ownership interest	

IV. Northwestern Medicine Kishwaukee Hospital and NM Surgery Center

Northwestern Medicine Kishwaukee Hospital and The Midland Surgical Center are in Health Service Area I, which includes the Illinois Counties of Boone, Carroll, DeKalb, Jo Daviess, Lee, Ogle, Stephenson, Whiteside, and Winnebago. There are six ASTCs in Health Service Area I. The Hospital Planning Area is B-04 and includes Lee County Townships of Reynolds, Alto, Viola, Willow Creek, Brooklyn, Wyoming, and DeKalb County. The population of DeKalb County is projected to be 117,554 by 2030, and it is projected to grow by 17.3% during the 2020 to 2030 decade, a significantly higher rate of growth than the projected growth for Illinois, which has been declining. The 65+ population is projected to grow faster than the overall population, about 35.2%, in DeKalb County during the same decade, compared with 30.6% across Illinois.

Northwestern Medicine Surgery Center Sycamore averaged 11% Medicaid patients, 26% Medicare patients, 3% Other Public, 60% Private Insurance, and no Charity Care over six years. As can be seen in Table Two, the ASTC has not been at the 80% target occupancy for all years presented.

TABLE TWO
Northwestern Medicine Surgery Center-Sycamore
Utilization by Year and the Number of Operating Rooms Justified

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Rooms	3	3	3	3	3	3	3	3	3
Cases	2,999	2,042	1,227	973	975	723	692	1,016	871
Hours	2,866	2,208	1,702	1,365	1,498	1,039	963	1,327	1,102
Rooms Justified	1.911	1.472	1.135	0.910	0.999	0.693	0.642	0.885	0.735
Utilization	33.9%	26.2%	30.3%	24.3%	26.6%	18.5%	17.2%	23.6%	19.6%

Table Three documents the bed utilization of Kishwaukee Hospital for 2023, and **Table Four** shows the utilization of the two gastro procedure rooms from 2018 through 2023. **Table Five** shows the ASTCs in Health Service Area I, the number of rooms, cases, hours, and distance, and their 2023 utilization.

TABLE THREE
Kishwaukee Community Hospital
2023 Bed Utilization

	Authorized Beds	Staffed Beds	Admit	Days	ALOS	ADC	Occ
Medical Surgical	70	70	4,222	25,201	5.97	69.04	98.63%
Intensive Care	12	12	605	2,427	4.01	6.65	55.41%
Obstetric	16	16	795	1,737	2.18	4.76	29.74%
Total	98	98					

TABLE FOUR
Kishwaukee Community Hospital
GASTRO Utilization

	2018	2019	2020	2021	2022	2023	Ave
Cases	3,040	3,096	1,169	2,078	3,741	4,018	2,857
Hours	2,419	1,672	625	1,071	2,516	2,643	1,824
Rooms Justified	1.6	1.2	.50	.72	1.7	1.8	1.27
%	80.63%	55.73%	20.83%	35.70%	83.87%	88.10%	60.8%

TABLE FIVE
ASTCs in Health Service Area One
2023 Information

ASTC	City	Miles	Rooms	Cases	Hours	Utilization
NM Surgical Center Sycamore	Sycamore	0	3	871	1,102	19.60%
Hauser Ross Eye Ambulatory Surgery Center	Sycamore	1	7	2,817	2,037	18.11%
Rockford Ambulatory Surgery Center	Rockford	33.5	7	4,055	2,316	17.64%
Rockford Endoscopy Center	Rockford	33.5	4	16,071	6,910	92.14%
Rockford Orthopedic Surgery Center	Rockford	34	4	4,828	5,195	69.27%
Northpointe Surgery Center	Roscoe	44.7	4	1,855	1,561	20.82%
Total			28			

1. Information taken from the 2023 ASTC Survey
2. Distance determined from Google Maps

V. Project Uses and Sources of Funds

The Applicants are funding this project with \$713,000 cash for Movable Equipment. The project does not propose construction costs.

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

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

A) Background of Applicant

An applicant must demonstrate that he is fit, willing, and able and *has the qualifications, background, and character to provide a proper healthcare 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 three years preceding the filing of the application. A healthcare facility is considered "owned or operated" by every person or entity directly or indirectly owning an ownership interest.

Northwestern Medicine Kishwaukee Hospital has received a 5-star rating from the Centers for Medicare & Medicaid Services and is certified by the Joint Commission. This is the highest rating possible, indicating that the hospital performs well compared to others nationwide in several key areas. The rating is based on the hospital's performance in five categories: safety of care, patient experience, readmission, mortality, and timely and effective care. Northwestern Medicine Surgery Center Sycamore is Medicare-certified and Joint Commission accredited.

The Applicants attest that no adverse action was taken against any facility owned and operated by the Applicants during the three years before the filing of this application. The Applicants have given authorization permitting HFSRB and IDPH access to 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 different states, when applicable; and the records of nationally recognized accreditation organizations. The Applicants are fit, willing, and able and have the qualifications, background, and character to provide a proper healthcare service for the community.

B) Purpose of the 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 according to the applicant's definition.

The Applicants state the purpose of this project is to increase access to surgical care for Northwestern Medicine patients and the residents of Dekalb County and surrounding areas. According to the Applicants, adding gastroenterology to NMSC Sycamore gives patients a non-hospital option for their G.I. procedures. This project will also alleviate projected capacity constraints in the endoscopy suites at NM Kishwaukee Hospital.

Problems to be Addressed by this Application.

The Applicants state that in 2014, the Hauser Ross Ambulatory ASC was approved (CON #14-033). By 2016, the ophthalmology group that was performing cases at Northwestern Medicine Surgery Center (“NMSC”) and Sycamore had moved all their cases to Hauser Ross. The ophthalmology cases accounted for 50% of the total volume at NMSC, and their relocation created capacity at NMSC.

According to the Applicants, there is an increasing trend among insurance providers to require specific low-acuity procedures in an ASTC setting. Patients have also expressed the desire to have a more convenient, lower-cost alternative for outpatient procedures. The COVID-19 pandemic also created a need for increased access to non-hospital-based surgery options, even in a post-pandemic world. Providing a non-hospital option for low-acuity surgical cases increases patient safety by reducing exposure to infectious diseases commonly found in the hospital setting.

C) Safety Net Impact Statement

All healthcare 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. [20 ILCS 3960/5.4]

This is a non-substantive project, and a safety net impact statement is not required. A Charity Care statement taken from Permit #24-006 provided by Northwestern Medicine is included at the end of this report.

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 population's healthcare needs to be served by the project.

Alternative One: Utilize Other Available Health Resources

The Applicants considered **one alternative** to the proposed project. The Applicants state the patient volume included in this proposed project will be performed in a Northwestern Medicine facility, mostly at NM Kishwaukee Hospital, if this project is not approved. The Applicants state the proposed procedures can be performed in an ASTC at a lower cost and higher efficiency than in a hospital setting. Additionally, moving the proposed procedures to NMSC Sycamore optimizes the ability of the hospital to increase capacity for higher acuity procedures. While there is one other ASTC within the 17-mile radius of NMSC Sycamore that is authorized for G.I. procedures and may have capacity, treating Northwestern Medicine patients in a Northwestern Medicine facility improves patient safety and continuity of care as all Northwestern Medicine facilities are on the same electronic medical record platform (Epic). It also enhances Northwestern Medicine physicians' efficiency, increasing patient access. Additionally, it allows for better control of protocols, equipment, and staffing, leading to a higher quality of care.

This alternative was rejected because it does not provide an optimal patient/physician experience.

VII. Project Scope and Size, Utilization and Unfinished/Shell Space – Review Criteria

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

A) Size of 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 unless the square footage can be justified.

Northwestern Medicine Surgery Center Sycamore has three operating rooms, and no additional departmental gross square feet are being added as part of this Application for Permit. This criterion does not apply to this project.

B) 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 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.

In response to this criterion, the Applicants state the loss of ophthalmology cases with the approval of the Hauser Ross ASC in 2014, the effects of the COVID-19 pandemic in 2020, and physician staffing issues in 2023 have resulted in excess capacity at NMSC Sycamore. The Applicants believe with the addition of gastroenterology, the surgery center anticipates an additional 995 hours in CY25, which will bring the three operating rooms closer to target utilization. The Applicants state that assuming a 25% annual growth from CY25 - CY27 (with additional physicians performing cases at the ASC in all specialties), NMSC can justify 3 operating rooms.

The number of hours at the surgery center increased from 1,102 hours in 2023 to 2,621 hours in 2026, a 138% increase. Forecasted volume is based on existing case volume, the increasing need from surgeons to schedule surgeries at Applicant's ASTC, and four market factors: an aging demographic, health conditions requiring intervention, the value offered by ambulatory surgery centers over hospital-based services, and consumer choice.

TABLE SIX				
Northwestern Medicine Surgery Center Sycamore				
	Historical		Projected	
	2022	2023	2026	2027
Hours	1,327	1,102	2,621	3,277
Operating Rooms Justified	0.885	0.735	1.75	2.2
Utilization	23.6%	19.6%	46.6%	58.3%

VIII. 1110.235 Non-Hospital Based Ambulatory Surgical Treatment Center Services

PROJECT TYPE	REQUIRED REVIEW CRITERIA		
Establishment of ASTC Facility or Additional ASTC Service	(c)(2)(B)(i) & (ii)	–	Service to GSA Residents
	(c)(3)(A) & (B) or (C)	–	Service Demand – Establishment
	(c)(5)(A) & (B)	–	Treatment Room Need Assessment
	(c)(6)	–	Service Accessibility
	(c)(7)(A) through (C)	–	Unnecessary Duplication/ Maldistribution
	(c)(8)(A) & (B)	–	Staffing
	(c)(9)	–	Charge Commitment
	(c)(10)(A) & (B)	–	Assurances

2) Geographic Service Area Need

The applicant shall document that the ASTC services and the number of surgical/treatment rooms to be established, added, or expanded are necessary to serve the planning area's population based on the following:

B) Service to Geographic Service Area Residents

The applicant 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 applicant 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 applicant 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.

Northwestern Medicine Surgery Center—Sycamore's geographic service area (GSA) covers a 17-mile radius around the facility, including 19 zip codes. CY 2023 data shows that approximately 67% of the ASTC patients came from this 17-mile GSA, which has a population of roughly 173,000 residents. The Applicants have successfully addressed this criterion.

4) Service Demand – Expansion of Existing ASTC Service

The number of surgical/treatment rooms to be added at an existing facility is necessary to reduce the facility's experienced high utilization and meet a projected service demand. The applicant shall document the information required by subsections (c)(4)(A)(i) and (ii) and either subsections (c)(4)(B)(i) and (ii) or subsection (c)(4)(C):

- A) Historical Service Demand
 - i) The applicant shall document an average utilization rate that has equaled or exceeded the standards specified in 77 Ill. Adm. Code 1100 for existing surgical/treatment rooms for the last 2 years.
 - ii) If patients have been referred to other IDPH-licensed facilities to receive the subject services, the applicant shall provide documentation of the referrals, including patient origin by zip code of residence, name, and specialty of referring physician, and the name and location of the recipient hospital or ASTC, for each of the latest 2 years.
- B) Projected Service Demand – Projected Referrals
 - i) The applicant shall provide physician referral letters that attest to the physician's total number of patients (by zip code of residence) that have received treatments at existing IDPH-licensed facilities located in the GSA during the 12 months before submission of the application and an estimate of the number of patients that the physician will refer to the applicant's facility.
 - ii) Each physician referral letter shall contain the notarized signature, the typed or printed name, the office address, and the physician's specialty. The anticipated number of referrals cannot exceed the physician's experienced caseload.

The Applicants provided two physician referral letters attesting to the total number of cases performed at NM Kishwaukee Hospital in 2023 and the number of projected referrals to the NMSC Sycamore. NM Kishwaukee Hospital's average outpatient gastroenterology procedure time was 48 minutes for Years 2015-2023. The Applicants have provided the required physician referral letters in the format the State Board requires (See Application for Permit pages 66 & 67).

As stated above, adding a gastroenterology surgical service will not increase utilization sufficiently to justify the existing three operating rooms. The Applicants believe that with the addition of gastroenterology, NMSC anticipates an additional 995 hours in CY25, bringing the 3 operating rooms closer to target utilization. The Applicants state that assuming a 25% annual growth from CY25 - CY27 (with additional physicians performing cases at the ASC in all specialties), NMSC can justify three operating rooms.

TABLE SEVEN			
Physician	Specialty	Kishwaukee Hospital	Referrals to ASTC
Dr. Manuel	Gastro	1,466	733
Dr. Kaiser	Gastro	1,022	511
		2,488	1,244

5) Treatment Room Need Assessment – Review Criterion

- 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 ASTC has three operating rooms, and this Application for a Permit proposes no new operating procedure rooms. The Applicants have not been able to justify the existing three operating rooms for the past number of years and believe with the addition of gastroenterology surgical services and assuming a 25% annual growth from CY25 - CY27 (**with** additional

physicians performing cases at the ASC in all specialties), NMSC **will** be able to justify three operating rooms.

6) Service Accessibility

The proposed ASTC services being established or added are necessary to improve access for residents of the GSA. The applicant shall document that at least **one** of the following conditions exists in the GSA:

- A) There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project.
- B) The other IDPH-licensed ASTC and hospital surgical/treatment rooms used for those ASTC services proposed by the project within the identified GSA are utilized at or above the utilization level specified in 77 Ill. Adm. Code 1100.
- C) The ASTC services or specific types of procedures or operations that are components of an ASTC service are not currently available in the GSA or that existing underutilized services in the GSA have restrictive admission policies.
- D) The proposed project is a cooperative venture sponsored by two or more persons, at least one of which operates an existing hospital. Documentation shall provide evidence that:
 - i) The existing hospital is currently providing outpatient services to the population of the subject GSA.
 - ii) The existing hospital has sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital and the proposed ASTC, based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100.
 - iii) The existing hospital agrees not to increase its surgical/treatment room capacity until the proposed project's surgical/treatment rooms operate at or above the utilization rate specified in 77 Ill. Adm. Code 1100 for at least 12 consecutive months; and
 - iv) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

NM Kishwaukee Hospital wholly owns NMSC Sycamore. The Hospital has eight operating procedure rooms and, in 2023, had a total of 10,805 hours, which equates to 72.3% utilization. The Hospital agrees not to increase surgical treatment room capacity until the ASTC is at are above 1,500 hours per the three operating rooms for at least 12 consecutive months. The Applicants have also attested that the proposed charges at the ASTC will be lower than those of the existing hospital. The Applicants have successfully addressed the requirements of this criterion.

7) Unnecessary Duplication/Maldistribution

- A) The applicant shall document that the project will not result in an unnecessary duplication. The applicant shall provide the following information for the proposed GSA zip code areas identified in subsection (c)(2)(B)(i):
 - i) the total population of the GSA (based upon the most recent population numbers available for the State of Illinois); and
 - ii) the names and locations of all existing or approved healthcare facilities within the GSA that provide the ASTC services proposed by the project.
- B) The applicant shall document that the project will not result in the maldistribution of services. Maldistribution exists when the GSA has an excess supply of facilities and ASTC services characterized by such factors as, but not limited to:
 - i) a ratio of surgical/treatment rooms to a population that exceeds one and one-half times the State average;
 - ii) historical utilization (for the latest 12-month period before application submission) for existing surgical/treatment rooms for the ASTC services proposed by the project below the utilization standard specified in 77 Ill. Adm. Code 1100; or
 - iii) insufficient population to provide the volume or caseload necessary to utilize the surgical/treatment rooms proposed by the project at or above utilization standards specified in 77 Ill. Adm. Code 1100.
- C) The applicant shall document that, within 24 months after project completion, the proposed project:
 - i) will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and

ii) will not lower, to a further extent, the utilization of other GSA facilities that are currently (during the latest 12-month period) operating below the utilization standards.

There are two ASTCs and one hospital in the 17-mile radius of Northwestern Medicine Surgery Center Sycamore. All ASTCs are underutilized. Responding to this criterion, the Applicants stated that the proposed project would not result in a maldistribution of services. The proposed project does not increase the number of operating rooms at the ASTC; therefore, the project will not increase the number of operating rooms in the GSA. The ratio of surgical/treatment rooms to population remains unchanged. NMSC anticipates that there will be no adverse impact on other area providers. The physician referral letters demonstrate that the additional procedures proposed for NMSC are expected to come from NM Kishwaukee Hospital only.

TABLE EIGHT
Facilities within the 17-mile GSA.

ASTC	City	Miles	Service	Rooms	Cases	Hours	Utilization
NMSC	Sycamore	0	neurology, OB/gynecology, ophthalmology, orthopedics, otolaryngology, pain management, plastic surgery, podiatry, and urology	3	871	1,102	19.60%
Hauser Ross	Sycamore	1	ophthalmology	7	2,817	2,027	15.44%
Valley ASC	St. Charles	15.1	gastro, general surgery, OB/GYN, oral/Max., ophthalmology, ortho, otolaryngology, podiatry	8	5,493	3,955	26.37%
NM Kishwaukee Hospital	Kishwaukee	<1		8	7,925	10,825	72.3%

The population ratio to operating/procedure rooms in the 17-mile GSA is not 1.5 times the State of Illinois ratio. As Table Nine shows, there is no maldistribution of service within this 17-mile GSA.

TABLE NINE

The ratio of operating/procedure rooms in 17-Mile GSA to population compared to State of Illinois operating/procedure rooms to population

	Rooms	Population	Ratio
17-mile radius	26	173,000	0.00015
State of Illinois	2,478	12,549,689	0.000197

8) Staffing

A) Staffing Availability

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that the staffing requirements of licensure, The Joint Commission, or other nationally recognized accrediting bodies can be met. In addition, the applicant 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.

The Surgery Center anticipates hiring a full-time RN and Certified Surgical Tech (CST) to accommodate the additional procedures. NMSC does not anticipate issues with hiring for these positions due to Northwestern Medicine's strong recruitment and retention efforts. There is currently a medical director at NMSC Sycamore. There is also a Medical Executive/Quality Committee. The medical director oversees the Medical Executive/Quality Committee, which comprises three physicians (including the medical director). It is anticipated that additional physicians will be included on the committee to represent additional specialties.

9) Charge Commitment

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 applicant 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).

The applicants attest that the charges for these new procedures will not increase, at a minimum, for the first two (2) years of operation unless a permit is first obtained pursuant to 77 Ill. Adm. Code 1130.310(a).

10) Assurances

- A) The applicant 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 applicant 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.

The Applicants attest that a peer review program exists that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for the ASTC services, and if outcomes do not meet or exceed those standards, a quality improvement plan will be initiated. The applicants also attest that in the second year of operation after project completion, the annual utilization of the operating rooms will be closer to the utilization standard specified in 77 Ill. Adm. Code 1100.

IX. Financial Viability

X. Economic Feasibility

A) 1120.120 Availability of Funds

B) 1120.130 Financial Viability

C) 1120.140 Reasonable of Financing Arrangement

The Applicants are funding this project with \$713,000 in cash. They have a bond rating of AA+ from Standard and Poor's rating agencies and Aa2, stable or better from Moody's. The Applicants have met the criteria listed above.

Moody's states in part: *“Northwestern Memorial HealthCare's (Aa2, stable) consolidated operating model and financial discipline will allow it to execute strategies effectively while maintaining a strong financial position despite industry pressures. Completing large-scale strategies well ahead of most peers, a deep analytic approach to management, and a well-defined culture will continue to provide the foundation for unusually consistent margins and an ability to manage operating and strategic risks. Strategies including major facility replacements, full integration with its faculty practice plan, and single system-wide IT platforms will support growth with limited integration risk, as demonstrated during rapid expansion before and during the pandemic. NMHC's strong brand and affiliation with Northwestern University's Feinberg School of Medicine will underpin further growth. Manageable capital plans will help maintain a powerful investment position. Direct and indirect leverage will remain moderate, particularly since the system has a fully funded pension plan and modest operating lease obligations. Like others in the industry, the most significant operating challenge will be managing workforce needs and absorbing higher permanent labor costs. In addition, there will be competition from large healthcare systems and academic medical centers in a region with projected population declines.”*

	2023	2022
Cash	\$680,384	\$779,110
Current Asset	\$2,991,526	\$2,668,610
Total Assets	\$18,143,465	\$16,711,238
Current Liabilities	\$2,343,965	\$2,394,416
Total Liabilities	\$5,702,245	\$5,507,001
Patient Service Revenue	\$8,095,920	\$7,399,123
Total Revenue	\$8,721,937	\$7,985,456
Operating Expenses	\$8,369,853	\$7,649,695
Operating Income	\$352,284	\$335,761
Non-Operating Gains (Losses)	\$782,027	-\$1,024,415
Excess (deficiency)	\$1,135,311	-\$688,654

D) 1120.140 Terms of Debt Financing

The project is being funded with cash, there is no debt financing.

E) 1120.140 Reasonableness of Cost

The cost of Movable Equipment is \$713,000 for the following equipment. This is less than the State Board Standard of \$1,703,244.

Tower	\$ 45,000
Re-processor	\$ 50,000
Channel Dry Cabinet (2)	\$ 73,000
Scopes - Colon/EGD (10)	\$ 427,000
Leak Tester	\$ 1,000
Scope Buddy	\$ 3,000
GI Genius	\$ 66,000
ERBE	<u>\$ 48,000</u>
TOTAL	<u>\$ 713,000</u>

F) 1120.120 Projected Operating Costs

G) 1120.140 Total Effect of the Project on Capital Costs

The direct cost per procedure is \$443.19 and the total effect of the project on capital costs is \$81.88. The State Board does not have standards for these two criteria.

CHARITY CARE STATEMENT

The Applicants stated the following:

During FY21, NMSC Sycamore became wholly owned by NM Kishwaukee Hospital and as such, now shares NMHC's financial assistance programs and outreach services that Enable NMHC to serve patients with the most socioeconomic needs in our communities. Through our financial assistance programs and Presumptive Eligibility policy, NMHC provides medically necessary health care for those who do not have the resources to pay for it. In DeKalb County, NM Kishwaukee Hospital and NM Valley West Hospital are the leading charity care and Medicaid providers. Increasing access to NMSC Sycamore for gastroenterology services will benefit all patients, including those who are uninsured or underinsured. Unlike most ASCs, the payor mix of NMSC Sycamore is approximately the same as NM Kishwaukee Hospital.

TABLE ELEVEN
CY 23 Cases by Payor Source

	NMSC Sycamore ASTC	NM Kishwaukee Hospital
Medicare	30.50%	39.40%
Medicaid	12.70%	15.10%
Other Public	5.90%	2.60%
Insurance	48.10%	41.11%
Private Pay	0.10%	0.30%
Charity Care	2.60%	1.00%

TABLE TWELVE
Charity Care

NW Medicine Surgery Center Sycamore	FY 21	FY 22	FY23
Net Patient Revenue	\$2,289,895	\$2,671,722	\$2,906,604
Amount of Charity Care	\$0	\$113,468	\$79,282
Cost of Charity Care	\$0	\$39,536	\$27,610
% of Cost of Charity Care to Net Patient Revenue	0.00%	1.48%	0.95%
NM Kishwaukee Hospital	FY 21	FY 22	FY23
Net Patient Revenue	\$292,521,658	\$318,618,073	\$361,186,747
Amount of Charity Care	\$17,851,009	\$14,394,471	\$15,768,843
Cost of Charity Care	\$2,680,488	\$3,194,155	\$2,710,556
% of Cost of Charity Care to Net Patient Revenue	0.92%	1.00%	0.75%
Northwestern Memorial Healthcare	FY 21	FY 22	FY23
Net Patient Revenue	\$6,810,599,673	\$7,399,122,793	\$8,095,919,536
Amount of Charity Care	\$476,470,967	\$469,227,416	\$360,059,649
Cost of Charity Care	\$79,890,361	\$90,752,502	\$67,545,943

TABLE TWELVE
Charity Care

% of Cost of Charity Care to Net Patient Revenue	1.17%	1.23%	0.83%
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TABLE THIRTEEN
Kishwaukee Hospital
Income
From Medicare Cost Reports

	2018	2019	2020	2021	2022	2023
Total Patient Revenue	\$722,289,142	\$788,436,501	\$842,495,177	\$1,029,868,942	\$1,132,434,419	\$1,282,006,470
Contractual All	\$507,222,152	\$553,212,233	\$596,895,760	\$737,347,283	\$817,530,542	\$926,711,849
Net Patient Revenue	\$215,066,990	\$235,224,268	\$245,599,417	\$292,521,659	\$314,903,877	\$355,294,621
Operating Expenses	\$188,723,883	\$208,820,011	\$221,826,200	\$227,588,979	\$247,755,857	\$264,828,223
Net Income from Patient Service Revenue	\$26,343,107	\$26,404,257	\$23,773,217	\$64,932,680	\$67,148,020	\$90,466,398
Other Income	\$3,957,942	\$6,189,309	\$15,251,338	\$11,453,426	\$11,175,695	\$9,254,246
Other Operating Expenses	\$402,200	\$543,865	\$262,715	\$3,943,323	\$205,890	\$236,539
Net Income	\$29,898,849	\$32,049,701	\$38,761,840	\$72,442,783	\$78,117,825	\$99,484,105
Operating Margin ⁽¹⁾	12.25%	11.23%	9.68%	22.20%	21.32%	25.46%

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

