



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-03	BOARD MEETING: March 18, 2025	PROJECT NO: 24-032	PROJECT COST: Original: \$49,790,781
FACILITY NAME: HSHS St. Elizabeth Hospital ASTC and MOB		CITY: O'Fallon	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The Applicants (St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis. Hospital Sisters Surgery Center. O'Fallon, LLC, HSHS Medical Group, Inc., and Hospital Sisters Health System) propose to establish a 3-story medical office building (MOB) that will include an ASTC, an imaging center, and physician offices. The project's total size is 70,000 GSF, and the total cost is \$49,790,781. The expected completion date is March 31, 2027.

Information on this Application for a Permit can be found at this link:

<https://hfsrb.illinois.gov/project.24-032-hshs-st-elizabeth%E2%80%99s-hospital-astc-and-medical-office-building,-o%E2%80%99fallon.html>

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis. Hospital Sisters Surgery Center. O'Fallon, LLC, HSHS Medical Group, Inc., and Hospital Sisters Health System) propose to establish a 3-story medical office building that will include an ASTC, an imaging center, and physician offices. The total project size is 70,000 GSF, and the total cost is \$49,790,781. The expected completion date is March 31, 2027.
- This project includes shell space on the second and third floors for physician offices totaling 43,809 GSF. No matter the cost or purpose, this shell space will require an Application for a Permit under current State Board rules.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project proposes establishing a healthcare facility, and the project's cost exceeds the capital expenditure minimum of \$17,252,704.

PURPOSE OF THE PROJECT:

- According to the Applicants, the **purpose of this project** is threefold:
 - Relieve high utilization of the hospital's operating rooms, which were utilized at close to 100% in 2023, and provide a lower cost and more patient-friendly access to outpatient procedures.
 - Relocate St. Elizabeth's imaging center from leased property off-campus that needs significant, costly modernization to the proposed new, on-campus building.
 - Provide additional medical office space for growing physician practices, which has led to space shortages in the area

PUBLIC HEARING/COMMENT:

- A public hearing was conducted on November 6, 2024. Letters of support have been received, and the State Board has received no letters of opposition.

HISTORICAL UTILIZATION

- The proposed ASTC is a cooperative venture with a hospital, and a requirement for a cooperative venture is that the 2-year average historical number of operating/procedure hours justify the total number of operating/procedure rooms requested for both the hospital and the ASTC. The Applicants are proposing 10 operating rooms and five procedure rooms at the Hospital, four operating rooms, and two procedure rooms at the ASTC for 21 operating/procedure rooms. Two-year historical data at the hospital justifies 13 operating rooms and five procedure rooms for 18 operating/procedure rooms. A cooperative venture requires the existing hospital 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.

EXECUTIVE SUMMARY

TABLE ONE

Rooms	Rooms Proposed at Hospital & ASTC	2-year Ave Historical Hours at Hospital	Rooms Justified ⁽¹⁾
Operating Rooms			
Hospital	10	18,966 ⁽²⁾	13
Proposed ASTC	4		
Procedure Rooms			
Hospital	5	6,464 ⁽³⁾	5
Proposed ASTC	2		
Total	21	25,430	18

1. Rooms Justified = 2-year average hours ÷ 1,500 hours = rooms justified.
 2. Operating Rooms: 18,966 hours ÷ 1,500 hours = 12.64 or 13 operating rooms
 3. Procedure Rooms: 6,464 hours ÷ 1,500 hours = 4.15 or 5 procedure rooms

SUMMARY:

- The State Board Standard for operating/procedure rooms is 1,500 hours per room; for MRIs, it is 2,500 visits per unit.
- The Applicants have addressed a total of 24 criteria and have not met the following:

Criterion	Non-Compliant
77 Ill. Adm. Code 1110.120 (b) – Projected Utilization 77 Ill. Adm. Code 1110.270 (c) – Modernization	The Applicants could not justify the two MRI units proposed for the medical office building. In response to this criterion, the Applicants stated <i>“that the Hospital recently acquired the second MRI, which has only been in operation for a few months. The utilization of the two units is only 55 procedures from exceeding the standard of 2,500, which would justify the two units, and that level is expected to be exceeded by the end of this year.”</i>
77 Ill. Adm. Code 1110.235 (c) (6) – Service Accessibility	HSHS St. Elizabeth Hospital does not have 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 of 1,500 hours.
77 Ill. Adm. Code 1110.235 (c) (7) Unnecessary Duplication of Service	This 17-mile GSA has eight healthcare facilities and 77 operating procedure rooms, with an average utilization of 38.75% for 2022 and 2023. The two ASTCs in this 17-mile GSA are currently underutilized. However, there is capacity within this 17-mile GSA that can accommodate the demand identified by the Applicants.
77 ILAC 1120.140 (c) – Reasonableness or Project Costs	New construction and contingency costs total \$5,773,251 or \$490.92 per GSF. This appears high compared to the State Board Standard of \$368.59 per GSF.



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STATE BOARD STAFF REPORT

#24-032

HSHS St. Elizabeth Hospital ASTC and MOB

APPLICATION CHRONOLOGY	
Applicants	St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis, Hospital Sisters Surgery Center, O'Fallon, LLC, HSHS Medical Group, Inc., and HSHS Sisters Health System
Facility Name	HSHS St. Elizabeth Hospital ASTC and MOB
Location	1 St. Elizabeth Boulevard, O'Fallon, Illinois
Permit Holder	St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis, Hospital Sisters Surgery Center O'Fallon, LLC, HSHS Medical Group, Inc., and HSHS Sisters Health System
Operating Entity/Licensee	Hospital Sisters Surgery Center, O'Fallon, LLC
Owner of Site	St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis
Application Received	September 24, 2024
Application Deemed Complete	September 30, 2024
Anticipated Completion Date	March 31, 2027
Review Period Ends	January 18, 2025
Did the State Board staff extend the review period?	No
Can the Applicants request a deferral?	Yes

I. Project Description

The Applicants (St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis. Hospital Sisters Surgery Center. O'Fallon, LLC, HSHS Medical Group, Inc., and Hospital Sisters Health System) propose to establish a 3-story medical office building that will include an ASTC, an imaging center, and physician offices. The project's total size is 70,000 GSF, and the total cost is \$49,790,781. The expected completion date is March 31, 2027.

II. Summary of Findings

- A. The State Board Staff finds the project does not conform with all relevant provisions of Ill. Adm. Code 1110.
- B. The State Board Staff finds the project does not conform with all relevant provisions of Ill. Adm. Code 1120.

III. General Information

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

TABLE ONE
Hospitals Owned by HSHS

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

The licensee of the ASTC will be Hospital Sisters Surgery Center, O’Fallon, LLC, a cooperative venture between St. Elizabeth’s Hospital, which will be the majority 51% owner and operator of the licensee, and, initially, HSHS Medical Group, which will own a 49% interest in the LLC. The hospital intends to offer physician investors minority interests in the LLC, and the hospital has solicited physician interest in the venture. Interest in the LLC will be provided to both employed and independent physicians. As a cooperative venture, the projected patient volume for the ASTC is based on the historical workload of St. Elizabeth’s Hospital. The real estate on which the project will be built is owned by St. Elizabeth’s Hospital.

The building will be developed and owned by a third-party entity that will lease the entire building to the applicant Hospital Sisters Health System, which will sub-lease space on the first level to Hospital Sisters Surgery Center, O’Fallon, LLC for the ASTC. The third-party entity is Green Mountain ASC Building, LLC, a newly created limited liability company. The members of the LLC are HSHS St. Elizabeth Hospital and HSHS Medical Group.

St. Elizabeth’s will utilize additional space in the building for its relocated imaging center. Hospital Sisters Health System will sub-lease the remainder of the space to physician practices. The diagnostic imaging space will be built out immediately and is part of this project. The space for medical offices is not being built at this time as Hospital Sisters Health System intends for the space to be customized depending on the physician's practices.

IV. Health Service Area Health Planning Area

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

Years	2021	2026	Diff	% Diff
0-14	108,300	101,470	-6,830	-1.19%
15-44	216,890	213,140	-3,750	-0.65%
45-64	151,470	144,540	-6,930	-1.20%
65-74	61,310	69,080	7,770	1.35%
75+	41,840	47,300	5,460	0.95%
Total	579,810	575,530	-4,280	-0.74%

Source: Illinois Department of Public Health

V. HSHS St. Elizabeth Hospital

HSHS St Elizabeth Hospital in O’Fallon is a fully utilized 128-bed hospital. Over six years, hospital utilization averaged 86.50%. Over this same six-year period, the Hospital payor mix was 34% Medicare patients, 14% Medicaid patients, 38% commercial insurance, and 1.5% charity care (See Tables Three and Four).

	Auth Beds	Staffed Beds	2018	2019	2020	2021	2022	2023	Auth Bed Ave.	Staff Occ.
M/S	100	112	78.60%	90.90%	90.00%	89.80%	97.30%	108.32%	92.49%	81.16%
ICU	16	20	81.20%	83.20%	67.10%	81.50%	78.10%	100.75%	81.98%	66.56%
OB	12	12	57.90%	61.30%	53.50%	58.80%	55.40%	48.22%	55.85%	61.30%
Total	128	144	77.30%	98.40%	84.60%	86.60%	81.40%	90.44%	86.46%	

Source: Illinois Annual Hospital Questionnaire

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

Service	2018	2019	2020	2021	2022	2023	Total	Ave
Medicare	18,928	36,852	33,159	78,024	76,695	99,378	57,173	34.18%
Medicaid	16,142	32,888	19,534	26,988	19,932	24,278	23,294	13.92%
Other Public	8,783	17,568	15,990	24,227	20,311	28,283	19,194	11.47%
Private Insurance	36,157	75,517	70,721	65,429	53,948	76,166	62,990	37.65%
Private Payment	1,724	1,287	1,349	2,527	2,345	3,183	2,069	1.24%
Charity Care	1,977	6,501	3,953	1,176	770	1,068	2,574	1.54%
Total	83,711	170,613	144,706	198,371	174,001	232,356	167,293	100.00%

Source: Illinois Annual Hospital Questionnaire

VI. Project Details

The proposed project will be located on the hospital’s campus in a newly constructed three-story medical office building, including an Ambulatory Surgical Treatment Center (ASTC), an imaging center, and physician offices. The ASTC will be located on the first floor in 18,352 GSF. The imaging center will also be on the first floor in 7,839 GSF. The second and third floors are planned for physician offices totaling 43,809 GSF. The ASTC includes:

- 4 Operating Rooms
- 2 Procedure Rooms
- 6 PACU
- 16 prep/recovery stations

The imaging center includes:

- 2 MRI
- 1 X-Ray
- 1 CT scan
- 1 Mammography

VII. Project Costs and Sources of Funds

The Applicants are funding this project with \$26,818,266 cash and lease with an FMV of \$22,972,515 (See Table Five).

TABLE FIVE
 Project Costs and Sources of Funds

Site Survey and Soil Investigation	\$0	\$87,000	\$87,000	0.17%
Site Preparation	\$0	\$2,036,000	\$2,036,000	4.09%
New Construction Contracts	\$5,258,220	\$6,341,058	\$11,599,278	23.30%
Contingencies	\$515,031	\$1,422,933	\$1,937,964	3.89%
Architectural/Engineering Fees	\$442,761	\$278,598	\$721,359	1.45%
Consulting and Other Fees	\$817,922	\$1,038,430	\$1,856,352	3.73%
Movable or Other Equipment	\$4,206,406	\$4,373,847	\$8,580,253	17.23%

TABLE FIVE				
Project Costs and Sources of Funds				
Fair Market Value of Leased Space or Equipment	\$3,861,352	\$19,111,163	\$22,972,515	46.14%
TOTAL USES OF FUNDS	\$15,101,692	\$34,689,029	\$49,790,721	100.00%
SOURCE OF FUNDS				
Cash and Securities	\$11,240,340	\$15,577,926	\$26,818,266	53.86%
Leases (fair market value)	\$3,861,352	\$19,111,163	\$22,972,515	46.14%
TOTAL SOURCES OF FUNDS	\$15,101,692	\$34,689,089	\$49,790,781	100.00%

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

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

A) Background of Applicant

An applicant must demonstrate that he 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. A healthcare facility is considered "owned or operated" by every person or entity directly or indirectly owning an ownership interest.

HSHS St. Elizabeth’s Hospital maintains a Gold Seal of approval from The Joint Commission¹ and has a four-star rating from Medicare². The Applicants attest that

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

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

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

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

no adverse action was taken against the Applicants' facility during the three years before the filing of this application. The Applicants authorize HFSRB and IDPH to access any documents necessary to verify the information submitted, including, but not limited to, official records of IDPH or other State agencies; the licensing or certification records of different states, when applicable; and the records of nationally recognized accreditation organizations.

The Applicants have demonstrated that they are fit, willing, and able and have the qualifications, background, and character to provide proper healthcare services 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.

According to the Applicants, the **purpose of this project** is threefold:

- Relieve high utilization of the hospital's operating rooms, which were utilized at close to 100% in 2023, and provide a lower cost and more patient-friendly access to outpatient procedures.
- Relocate St. Elizabeth's imaging center from leased property off-campus that needs significant, costly modernization to the proposed new, on-campus building.
- Provide additional medical office space for growing physician practices, which has led to space shortages in the area

A 17-mile radius of the proposed ASTC location defines the geographic service area. Approximately 45 zip codes in the GSA are located within a 17-mile radius of the proposed site of the ASTC and with a population of 467,469. The Applicants state that patients within the GSA make up 73% of the outpatient surgeries performed at St. Elizabeth's Hospital in FY2023.

C) Safety Net Impact Statement

All healthcare facilities, except for 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]

According to the Applicants, this project will not have any material impact on the essential safety net services in the community, including not impacting racial and health care disparities. Regardless of insurance type (commercial, Medicaid, Medicare, etc.), patients will have access to the hospital as they always have and to the new ASTC. The project will not impact any other area provider or health care system to cross-

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

subsidize safety net services because the surgical volume for the ASTC is based upon St. Elizabeth's Hospital's historical patient volume.

The Applicants expected payor mix for the ASTC will be 51.5% commercial, 43.2% Medicare, 5% Medicaid, and self-pay .3%.

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 healthcare needs of the population it will serve.

The Applicants considered four alternatives to the proposed project.

Alternative #1: Maintain Current Services: (Cost: \$0)

This option would continue to perform all outpatient surgery and procedures at St. Elizabeth's Hospital. The Applicants stated that this alternative was rejected because maintaining the status quo means that too many procedures that can and should be performed in an ASTC would be performed in a high-cost hospital setting. Additionally, St. Elizabeth's Hospital's ORs are at 101% capacity and cannot meet the surgical demands of patients entering the emergency room. According to the Applicants, due to the fixed costs in a hospital setting, trends with insurance providers, and increasing patient preference, it was essential to provide an alternative option for HSHS patients in an outpatient ASTC.

Alternative #2: Utilize Regional HSHS Operating Rooms: (Cost: \$0)

The Applicants stated that this alternative was rejected because HSHS patients and the physicians caring for these patients are primarily located nearby and are on staff at St. Elizabeth's Hospital. Patients in this community have an established pattern of coming to these providers for their comprehensive care, requiring other facilities. This could result in delays in access to care, repeat tests, and disruption of continuity of care.

Alternative #3: Build Additional Capacity at St. Elizabeth's Hospital (Cost: \$55M)

The Applicants stated that this alternative was ruled out due to the high costs associated with completely renovating the central OR platform in a 7-year-old hospital. At the same time, this would require additional OR space to take over current medical/surgical inpatient beds. Seeing that the current occupancy in the inpatient space is at 96%, it is not feasible to decrease inpatient capacity.

Alternative #4: Reduce Project Scope: (Cost: \$30M)

The Applicants stated that a project of lesser scope, such as fewer operating and procedure rooms, would not allow St. Elizabeth's Hospital the ability to decompress its main hospital ORs. This would negate the ability to effectively care for ambulatory patients with uncoordinated experience. At the same time, by maintaining a large

portion of the ambulatory patients in the hospital’s ORs, the hospital would not be able to adequately meet the growing inpatient and emergency surgical needs, which are higher acuity patients. Lastly, this would further complicate any future ability for hospital expansion.

VIII. Project Scope And Size, Utilization, and Unfinished/Shell Space

- 1110.120 (a) – Size of Project
- 1110.120 (b) – Utilization of the Project
- 1110.110 (c) – Unfinished Shell Space
- 1110.110 (e) – Assurances

A) Size of Project

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

1. Ambulatory Surgical Treatment Center

The State Board Standard is 2,750 GSF per Operating Room and 1,100 GSF per procedure room. The Applicants propose four operating rooms at 2,304 GSF total, or 576 GSF each, and two procedure rooms at 510 GSF total, or 255 GSF per room. The 16 pre- and post-recovery rooms will total 2,180 GSF, and the six PACU rooms will total 570 GSF.

2. Imaging Center

The Imaging Center's proposed square footage is based on the total reviewable clinical space of 3,066 GSF within the Imaging Department allocated between the 2 MRIs, 1 X-ray, 1 CT Scanner, and 1 Mammography. Each MRI room is approximately 840 GSF, the X-ray is 312 GSF, the CT Scanner is 660 GSF, and the Mammography is 174 GSF. (See Table Six)

TABLE SIX						
Size of the Project						
		State Standard		Proposed		
		Gross Square Feet		Gross Square Feet		Met Standard?
Department Service	Rooms/Units		Total	Total	Total	
Operating Rooms	4	2,750	11,000	576	2,304	Yes
Procedure Rooms	2	1,100	2,200	255	510	Yes
MRI's	2	3,600	7,200	840	1,680	Yes
X-Ray	1	1,300	1,300	312	312	Yes
CT-Scan	1	1,800	1,800	660	660	Yes
Mammography	1	900	900	174	174	Yes

b) Project Services Utilization

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of 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.

1. Ambulatory Surgical Treatment Center

The Applicants are proposing four operating rooms and two procedure rooms. The State Board Standard is 80% or 1,500 hours per room. The Applicants estimate 5,520 hours for the four operating rooms and 1,811 hours for the two procedure rooms or 7,331 hours by the first year after project completion.

$$5,520 \text{ hours} \div 1,500 \text{ hours} = 3.68 \text{ rooms or four operating rooms}$$

$$1,811 \text{ hours} \div 1,500 \text{ hours} = 1.21 \text{ rooms or two procedure rooms}$$

The Applicants state that the utilization for the second year of operation (2028) assumes a 5% increase in procedure volume from 2023, based on historical referrals, to 2028. According to the Applicants, this assumption is warranted based on the projected growth of 10.4% in the 65+ population, and the outpatient market demand forecast projects an 11% growth in outpatient surgical and procedural services by 2029. The Applicants state these projections are from Claritas Pop-Facts utilized through Sg2’s Market Demographic tools. Sg2 10-year growth rate projections for St. Elizabeth’s service area is 25% growth for outpatient procedures among the 65+ population. The growing 65+ population will drive surgical volume at the proposed ASTC.

Based on the information submitted by the Applicants, the Applicants can justify the proposed six rooms should the estimated number of hours materialize.

2. Imaging

The Applicants are proposing two MRI units, one X-ray unit, one CT scan unit, and one mammography unit. However, the number of MRIs proposed could not be justified (See Table Seven).

TABLE SEVEN
Projected Utilization

Department	Units	State Standard		2024 utilization	Justified?
MRI's	2	2,500 procedures	5,000	2,446	No
X-Ray	1	6,500 procedures	6,500	7,361	Yes
CT-Scan	1	7,000 visits	7,000	3,776	Yes
Mammography	1	5,000 visits	5,000	6,607	Yes

C) Unfinished or Shell Space

The project includes unfinished space (i.e., shell space) to meet the anticipated demand for service. In that case, the applicant shall document that the amount of shell space proposed for each department or clinical service area is justified and that the space will be consistent with the standards of Appendix B as stated in subsections (a) and (b). The applicant shall provide the following information:

- 1) The total gross square footage of the proposed shell space.
- 2) The anticipated use of the shell space, specifying the proposed SF to be allocated to each department, area, or function.
- 3) Evidence that the shell space is being constructed due to:
 - A) Requirements of governmental or certification agencies; or
 - B) Increases in historical occupancy or utilization of those departments, areas, or functions proposed to occupy the shell space were experienced. The applicant shall provide the historical utilization for the department, area, or function for the latest 5-year period for which data are available and, based upon the average annual percentage increase for that period, project the future utilization of the department, area, or function through the anticipated date when the shell space will be placed into operation.

The proposed shell space, which consists of the second and third floors of the medical office building, has a total gross square footage of 43,809 GSF. It will be allocated for medical office space and required common areas. According to the Applicants, the shell space is being constructed due to increases in the historically high occupancy of medical office space in St. Elizabeth’s existing 140,000-square-foot connected medical office building. St. Elizabeth’s existing MOB is 100% utilized and has no capacity for growth. The existing 140,000-square-foot medical office building on the St. Elizabeth’s Hospital campus was 98% occupied when it opened in 2017 and has been 100% occupied since 2021.

The Applicants stated that multiple physician groups in the existing building have outgrown their space and need to expand. Other physicians in the area are also interested in having clinical offices on campus, particularly near the ASTC. In addition, SSM Health Cardinal Glennon Children’s Hospital in St. Louis, Missouri, has expressed interest in leasing up to one entire floor (approximately 22,000 square feet). A letter from Dr. Hossain Marandi, President, SSM Health Cardinal Glennon Hospital, regarding interest in the lease of the floor has been provided on page 87 of the Application for Permit.

The information provided by the Applicants on pages 86 and 87 of the Application for Permit demonstrates that they have successfully addressed this criterion.

D) Assurances

The applicant shall submit the following:

- 1) The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that by the end of the second year of operation after project completion, the applicant will meet or exceed the utilization standards specified in Appendix B.
- 2) For shell space, the applicant shall submit the following:
 - A) Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at that time or the categories of service involved.

- B) The anticipated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted and
- C) The estimated date when the shell space will be completed and placed into operation.

The Applicants have attested that they will submit a CON application to the Health Facilities and Services Review Board to develop and utilize the shell space in this proposed project, regardless of the capital thresholds in effect at the time or the categories of service involved. The Applicants estimate that 50% of the shell space will be built out and used by the end of 2027 and all shell space by December 31, 2030. The Applicants have successfully addressed this criterion.

IX. Ambulatory Surgical Treatment Center

Establishment of ASTC Facility 77 Ill. Adm. Code 1110. 235	(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:

A) 77 Ill. Adm. Code 1100 (Formula Calculation)

As stated in 77 Ill. Adm. Code 1100, no formula needs determination for the number of ASTCs, and the number of surgical/treatment rooms in a geographic service area has been established. The need shall be established under the applicable review criteria for this part.

The State Board does not have a formula for determining the number of ASTCs and surgical treatment rooms in a geographical service area.

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.

There are 45 zip codes within the defined 17-mile Geographical Service Area with a population of approximately 467,469. The Applicants state that the patient volume for the proposed ASTC is based entirely on the existing historical volume of St. Elizabeth's Hospital. Physician referral letters have been provided supporting this volume. The Applicants state that all the patients included in the referral letters reside in zip codes within the proposed project's 17-mile Geographic Service Area (GSA).

The Applicants have provided the historical number of patients by zip code who received care at St. Elizabeth Hospital over the past 12-month period. They have also demonstrated that the project's primary purpose is to provide necessary health care to the residents of the geographic service area. The requirements of this criterion have been met.

3) Service Demand – Establishment of an ASTC Facility

The applicant shall document that the proposed project is necessary to accommodate the service demand experienced annually by the applicant over the latest 2-year period, as evidenced by historical and projected referrals. The applicant shall document the information required by subsection (c)(3) and either subsection (c)(3)(B) or (C):

A) Historical Referrals

The applicant shall provide physician referral letters that attest to the physician's total number of treatments for each ASTC service referred to existing IDPH-licensed ASTCs or hospitals in the GSA during the 12 months before application submission. The documentation of physician referrals shall include the following information:

- i) patient origin by zip code of residence.
- ii) name and specialty of referring physician.
- iii) name and location of the recipient hospital or ASTC; and
- iv) The number of referrals to other facilities for each proposed ASTC service for the last 2 years.

B) Projected Service Demand

The applicant shall provide the following documentation:

- i) Physician referral letters that attest to the physician's total number of patients (by zip code of residence) who have received care at existing IDPH-licensed ASTCs or hospitals located in the GSA during the 12 months before submission of the application.
- ii) Documentation demonstrating that the projected patient volume, as evidenced by the physician referral letters, is from within the GSA defined under subsection (c)(2)(B);
- iii) An estimated number of treatments the physician will refer annually to the applicant facility within 24 months after project completion. The anticipated number of referrals cannot exceed the physician's experienced caseload. The percentage of projected referrals used to justify the proposed establishment cannot exceed the historical percentage of applicant market share within 24 months after project completion.
- iv) Referrals to health care providers other than IDPH-licensed ASTCs or hospitals will not be included in determining projected patient volume.
- v) Each physician referral letter shall contain the notarized signature, the typed or printed name, the office address, and the specialty of the physician; and
- vi) Verification by the physician that the patient referrals have not been used to support another pending or approved CON application for the subject services.

The Applicants state that the demand for this project is the surgical volume currently being experienced by HSHS St. Elizabeth Hospital. All cases referred to the proposed ASTCs will come from St. Elizabeth Hospital. Physician referral

letters supporting the proposed volume at the ASTC have been provided (See pages 146-179 of the Application for Permit).

The Applicants propose four operating rooms and two procedure rooms at the ASTC. Based on the physician referrals for the first year after project completion, they estimate 3,299 cases and 5,520 hours for the four operating rooms (5,520 hours ÷ 1,500 hours = 3.68 rooms or four rooms) and 4,988 cases and 1,811 hours for the two procedure rooms (1,811 hours ÷ 1,500 hours = 1.21 rooms or two rooms).

Based upon the information provided by the Hospital summarized in Table Eight, the project is necessary to accommodate the service demand experienced annually by the Applicants over the latest two-year period (See Table Eight).

TABLE EIGHT				
HSHS St. Elizabeth Hospital				
Operating/Procedure Rooms				
		2022	2023	2-Year Ave
10 Operating Rooms	Hours	18,956	18,975	18,966
	Utilization	101.10%	101.2%	101.12%
5 Procedure Rooms	Hours	6,473	6,455	6,464
	Utilization	69.05%	68.85%	68.94%
Total	Hours	25,429	25,430	25,430
15 Rooms	Utilization	90.41%	90.41%	90.41%

5) 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 operating room utilization of 5,520 hours in the first year of operation (2027) is based on the historical volume and referrals of the physicians. The procedure room utilization of 1,811 hours is based on the historical volume and referrals of the physicians identified in the Application for Permit.

The Applicants state that the utilization for the second year of operation (2028) assumes a 5% increase in procedure volume from 2023, based on historical referrals, to 2028. According to the Applicants, this assumption is warranted based on the projected growth of 10.4% in the 65+ population, and the outpatient market demand forecast projects an 11% growth in outpatient surgical and procedural services by 2029. The Applicants state these projections are from Claritas Pop-

Facts utilized through Sg2’s Market Demographic tools. Sg2 10-year growth rate projections for St. Elizabeth’s service area is 25% growth for outpatient procedures among the 65+ population. The growing 65+ population will drive surgical volume at the proposed ASTC.

The proposed six surgical/treatment rooms for the ASTC service appear necessary to accommodate the projected patient volume.

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.

The Applicants have addressed **Item D above**. The proposed project is a cooperative venture with HSHS St. Elizabeth Hospital, and Saint Elizabeth Hospital is providing surgical outpatient services to the population of the 17-mile GSA. However, the Hospital’s average historical workload for the past two years will not support the total number of operating and procedure rooms at the Hospital and the ASTC. The Applicants propose 14 operating rooms and seven procedure rooms for 21 rooms at these two locations. The Hospital's average historical utilization for 2022 and 2023 will justify 13 operating rooms and five procedure rooms at these locations (See Table Nine).

Rooms	Rooms Proposed Hospital & ASTC	2-year Ave Historical Hours	Rooms Justified ⁽¹⁾	Utilization Of Proposed Rooms
Operating Rooms	14	18,966 ⁽²⁾	13	72.25%
Procedure Rooms	7	6,464 ⁽³⁾	5	47.44%

TABLE NINE		
HSHS St. Elizabeth Hospital & Proposed ASTC Operating/Procedure Rooms		
Total	21	18
4. Rooms Justified = 2-year average hours ÷ 1,500 hours = rooms justified.		
5. Operating Rooms: 18,966 hours ÷ 1,500 hours = 12.64 or 13 operating rooms		
6. Procedure Rooms: 6,464 hours ÷ 1,500 hours = 4.30 or 5 procedure rooms		

In response to this criterion, the Applicants stated that the five procedure rooms are needed in the hospital as the GI practice is expanding significantly in 2025. The HSHS Medical Group has agreed on terms and is finalizing an employment agreement with a new GI physician and a new professional service agreement with an existing regional healthcare entity that will provide additional GI services at St. Elizabeth’s Hospital in 2025. The two practices are estimated to perform an extra 4,000 hours annually at St. Elizabeth’s Hospital. Combined with the 2023 historical hours at the hospital of 6,227, the total 10,227 hours justify 6.8 rooms (rounded up to 7), which justifies the five procedure rooms in the hospital and the two procedure rooms in the ASTC.

HSHS St. Elizabeth Hospital does not have sufficient **historical workload** to justify the number of surgical/treatment rooms at the existing hospital and the proposed ASTC.

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.

A) This 17-mile GSA has eight healthcare facilities and 77 operating/procedure rooms, with an average utilization of 38.75% for 2022 and 2023. The two ASTCs in this 17-

mile are currently underutilized. There is capacity within this 17-mile GSA that can accommodate the demand identified by the Applicants (see Table Ten).

TABLE TEN
Facilities within the 17-mile GSA

Healthcare Facility	City	Miles	Operating/Procedure Rooms	Surgical Specialties	2022	2023	Ave	Utilization
HSHS Saint Elizabeth Hospital	O'Fallon	0.2	15		25,132	25,177	25,155	87%
O'Fallon Surgery Center	O'Fallon	0.6	2	neurology, orthopedic, ophthalmology, gastroenterology, pain management, podiatry.	699	985	842	22%
Memorial Hospital East	Shiloh	2.1	6		4,738	5,054	4,896	44%
Metroeast Endo Center	Fairview Heights	4.6	2	general surgery, gastroenterology, OB/GYN, ophthalmology, pain management, plastic surgery, podiatry	1,164	1,174	1,169	31%
Bel-Clair ASTC	Belleville	7.3	2	gastroenterology	1,018	631	825	22%
Memorial Hospital	Belleville	7.6	33		12,261	12,715	12,488	20%
Touchette Regional Hospital	Centreville	14	6		777	763	770	7%
Anderson Hospital	Maryville	15	11		10,244	10,522	10,383	50%
Total			77		58,055	57,868	55,939	38.75%

B) As documented in the Table Eleven below, there is no surplus of operating/procedure rooms in this 17-mile GSA.

TABLE ELEVEN				
The ratio of Surgery / Treatment Rooms to Population				
	Population	OR/Procedure Rooms	Rooms to Population	Standard Met?
GSA	467,469	77	1:6,071	Yes
State of Illinois	12,671,821	2,639	1:4,802	

C) As documented throughout this Application for a Permit, surgical volume will come from HSHS St. Elizabeth Hospital. As such, the proposed project does not appear to lower the utilization of other healthcare providers in this GSA.

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 Applicants state they have a long history of staffing its procedural areas and use various tools to recruit staff. According to the Applicants, HSHS uses a web-based program to develop and maintain a pipeline of candidates for multiple roles, along with traditional campus and in-person recruiting efforts. These same recruiting tools will be used to staff the proposed surgery center and offer positions to existing team members at other sites. This surgery center typically employs approximately 50 full-time team members in various clinical and non-clinical roles, including a lead administrator and nurse, to lead this local site staffing effort.

The Applicants, the hospital will be moving forward to achieve Accreditation Association for Ambulatory Health Care status, and, like the Joint Commission, there are minimum staffing requirements that St. Elizabeth's is committed to fulfilling and exceeding to provide the highest quality of care. Staff will have appropriate experience, training, licensure, and certifications related to working in the ASTC. Hiring and retaining a high-quality team is essential to delivering exceptional patient care and a primary goal of the leadership team. All staff in the ASTC will have emergency training and be ACLS certified, with many PALS certified. As per Medicare standards, ABC Clinic board-certified physicians will be in-house (pending discharge needs) or available for immediate consultation at the ASC. All providers will have admitting privileges at St. Elizabeth's Hospital to facilitate admissions or transfer needs. Any legal requirements related to the scope of each professional practice will be followed (Physician, PA, ARNP, RN, CST) and noted in the employee or medical staff credentialing file.

1110.235(c)(8)(B): Medical Director

The ASTC will follow coverage conditions established by the Centers for Medicare and Medicaid Services. A Medical Director will represent the facility's clinical and medical needs. The Medical Director will also represent the views of the Medical Staff and be responsible for communicating the staff's concerns, conclusions, recommendations, and decisions to the Governing Body. In addition, the Medical Director shall review and make recommendations on policies affecting the direct delivery of patient care, quality, and the purchase of equipment needed to maintain and improve the delivery of patient care at the facility.

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).

By their signatures and certifications on the signature pages of this application, the Applicants Hospital Sisters Health System, HSHS St. Elizabeth’s Hospital, and the licensee Hospital Sisters Surgery Center, O’Fallon, LLC, commit that, at a minimum, for the first two years of operation of the ASTC the charges listed in **APPENDIX B of the Application for Permit** will not increase unless a permit is first obtained from the Health Facilities and Services Review Board under 77 Ill—Adm. Code 1130.310(a).

10) Assurances

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

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.

By their signatures and certifications on the signature pages of this application, the Applicants Hospital Sisters Health System, HSHS St. Elizabeth’s Hospital, and the licensee Hospital Sisters Surgery Center, O’Fallon, LLC, attest that a peer review program 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, that a quality improvement plan will be initiated. The Applicants have documented that the proposed ASTC will be at 80% utilization in the first and second year after project completion.

X. Clinical Service Areas Other Than Categories of Service

PROJECT TYPE		
Service Modernization 1110.270	(c)(1)	Deteriorated Facilities and/or
	(c)(2)	Necessary Expansion PLUS
	(c)(3)(A)	Utilization – Major Medical Equipment or
	(c)(3)(B)	Utilization – Service or Facility

A) Service Modernization

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

- 1) **Deteriorated Equipment or 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.
- 2) **Necessary Expansion**
The proposed project is necessary to expand diagnostic treatment, ancillary training, or other support services to meet patient service demands. Documentation shall include, but is not limited to, historical utilization data, evidence of changes in industry standards, changes in the scope of services offered, and licensure or fire code deficiency citations involving the proposed project.
- 3) **Utilization**
 - A) **Major Medical Equipment**
Proposed projects for acquiring major medical equipment shall document that the equipment will achieve or exceed any applicable target utilization levels specified in Appendix B within 12 months after acquisition.
 - B) **Service or Facility**
Projects involving the modernization of a service or facility shall meet or exceed the utilization standards for the service, as specified in Appendix B. The number of key rooms being modernized shall not exceed the number justified by historical utilization rates for each of the last two years unless additional key rooms can be justified per subsection (c)(2) (Necessary Expansion).
 - C) **If no utilization standards exist, the applicant shall document its anticipated utilization regarding the incidence of disease, conditions, or population use rates.**

According to the Applicants, the hospital’s imaging center is on leased property off-campus that needs significant, costly modernization. The current leased property across the street from the hospital campus needs over \$1.8 million in repairs to address issues associated with the roof, air handling system, sprinkler system, and parking lot. The lease terms state that St. Elizabeth’s would be responsible for these repairs. Given that HSHS does not own the building, and the lease expires in December 2025, St. Elizabeth’s has decided not to further invest in the leased space and not renew the lease. Instead, the imaging center will be relocated to the new building on campus. HSHS will seek a month-to-month extension in the current lease after December 2025, when the new space for the imaging center is expected to be available in 2026.

TABLE TWELVE

	Units	State Standard per unit/room	2024	# Justified
MRI	2	2,500 procedures	2,446	No
X-Ray	1	6,500 procedures	7,361	Yes
CT scan	1	7,000 Visits	3,776	Yes
Mammography	1	5,000 visits	6,607	Yes

XI. Financial Viability and Economic Feasibility

A) Availability of Funds

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

The Applicants are funding this project with \$26,818,266 cash and lease with an FMV of \$22,972,515. Hospital Services Health System (“HSHS”) has an “A” or better Bond Rating from Fitch and S&P Global Ratings.

S&P Global Ratings states in part:

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

(See Application for Permit pages 115-140)

B) Financial Viability

A) Financial Viability Waiver

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

XII. Economic Feasibility

A) Reasonableness of Financing Arrangements

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

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

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

B) Conditions of Debt Financing

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

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

The Applicants intend to lease the building from a third-party developer for 25 years at an annual net base rent of \$2.1 million, with an increase of 2% per year. The tenant will pay real estate taxes, insurance, and all other operating, repair, maintenance, and replacement expenses. The tenant will pay \$18 million at the end of the lease term.

The Applicants provided the necessary attestation, as required on page 114 of the Application for Permit. Thus, the Applicants have successfully addressed this criterion.

C) Reasonableness of Project and Related Costs

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

New construction and contingency costs total \$5,773,251 or \$490.92 per GSF. This appears high compared to the State Board Standard of \$368.59 per GSF.

Contingency Costs total \$515,031 and are 9.79% of new construction costs. This appears reasonable when compared to the State Board Standard of 10%.

Architectural and Engineering Fees total \$442,761 and are 6.38% of new construction and contingency costs. This appears reasonable when compared to the State Board Standard of 9.64%,

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

Moveable Equipment	\$4,206,406
Consulting and Other Fees	\$817,922
Fair Market Value of Leased Space or Equipment	\$3,861,352

D) Projected Operating Costs

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

The total operating costs per service unit are \$1,615 per procedure in the ASTC and \$64 per procedure in the Diagnostic Center. The State Board does not have a standard for projected operating costs.

E) Total Effect of the Project on Capital Costs

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

The total capital costs per procedure are \$2,990. The State Board does not have a standard for capital costs.

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

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

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

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

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

TABLE FIFTEEN
Summary of Physician Referrals and Hour per Case

PHYSICIAN	SPECIALTY	CASES	HOURS PER CASE	TOTAL
Cox, Daniel E	Cardiovascular	113	1.61	182
Aach, Douglas B	Colon Rectal	2	1.68	30
Barnett, Kevin	Colon Rectal	2		
Hart, Deirdre	Colon Rectal	9		
Loethen, Paul E	Colon Rectal	4		
George, Ryan M	ENT	75	1.76	243
Lesko, David W	ENT	24		
Srinet, Prateek	ENT	39		
Aach, Douglas B	General Surgery	19	1.54	873
Barnett, Kevin	General Surgery	115		
Bergom, Michael A	General Surgery	45		
Crouch, Donald Scott	General Surgery	112		
Hale Iv, Lyman L	General Surgery	45		
Hart, Deirdre	General Surgery	46		
Loethen, Paul E	General Surgery	124		
Luong, Thomas Vinh	General Surgery	4		
Smith, Matthew R	General Surgery	57		
Boyd, Emily B	GYN	33	1.61	418
Covlin, Michael A	GYN	78		
Dominick, Kathryn M	GYN	63		
Skelly, Stephanie	GYN	45		
Schifano, Michael	GYN	41		
Alali, Abdulaziz S	Neuro	123	2.95	652
Foule, Sarah Jost	Neuro	15		
Johans, Stephen J	Neuro	83		
Lerner, Andres	Ortho	401	2.07	1,641
Mccarthy, Kevin J	Ortho	183		
Morton, Steven	Ortho	6		
Weimer, Donald A	Ortho	203		
Aach, Douglas B	Plastic Surgery	53	1.68	138
Barnett, Kevin P	Plastic Surgery	3		
Bergem, Michael A	Plastic Surgery	24		
Loethen, Paul E	Plastic Surgery	2		
Guignon, Bryan	Podiatry	91	1.39	345
Hart, Amanda M	Podiatry	2		
Snook, Eric	Podiatry	57		
Taylor, James D	Podiatry	91		
Whittenburg, Eric C	Podiatry	7		

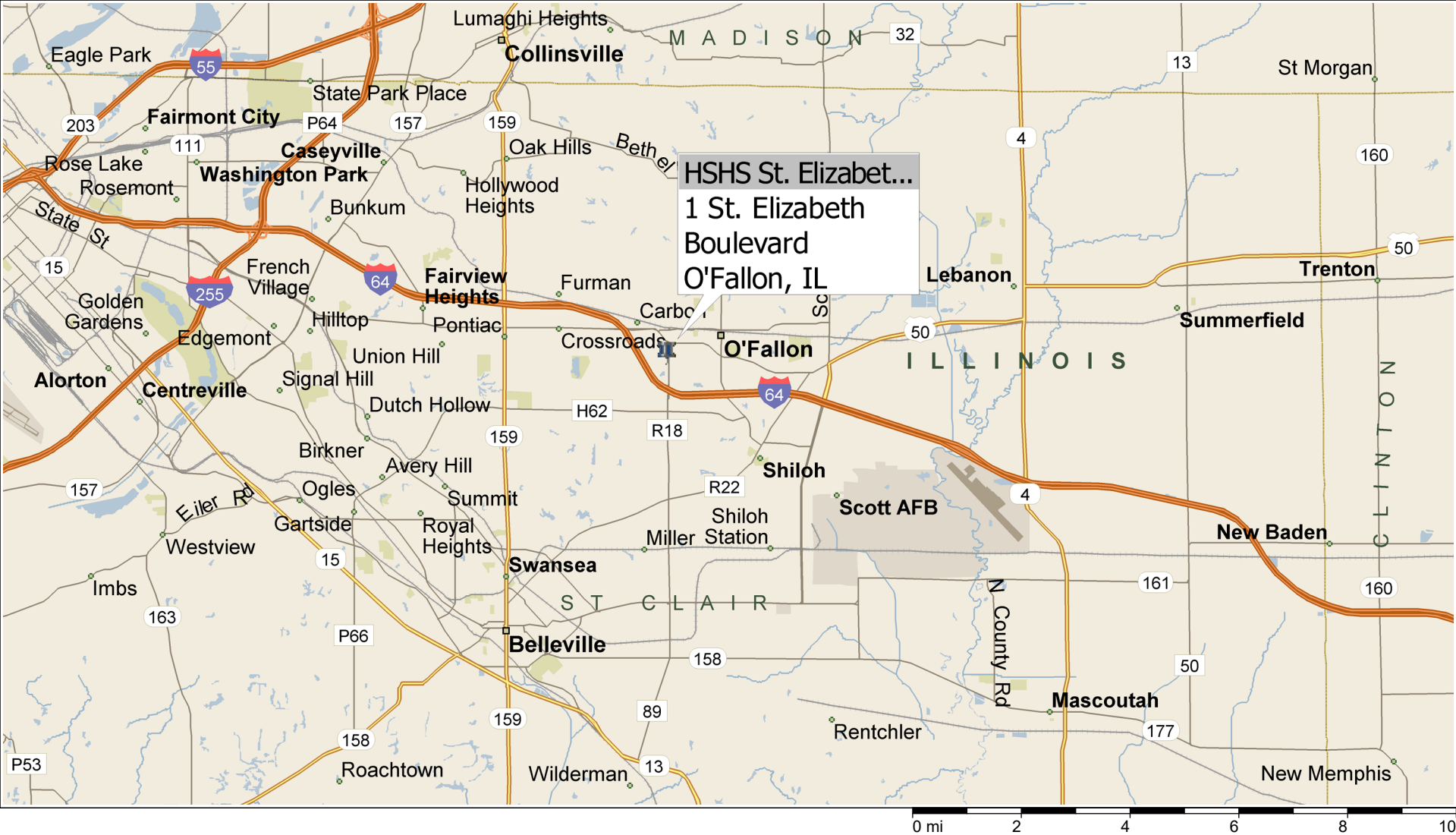
TABLE FIFTEEN
Summary of Physician Referrals and Hour per Case

PHYSICIAN	SPECIALTY	CASES	HOURS PER CASE	TOTAL
Berg, Zachary M	Pulmonology	14	1.72	71
Reichardt, Brian A	Pulmonology	12		
Sutton, Christopher	Pulmonology	14		
Ark, Jacob T	Urology	134	1.14	927
Bullock, Travis L	Urology	62		
Critchlow, William A	Urology	128		
Rybak, James Patrick	Urology	336		
Strope, Seth A	Urology	150		
TOTAL OPERATING ROOM		3,289		5,520
PROCEDURE ROOMS				
Kim, Peter S	GI	2,093	0.55	1,358
Hart, Deirdre	GI	290		
Smith, Matthew R	GI	86		
Naseer, Kristina	Pain	2,519		453
TOTAL PROCEDURE ROOM		4,988		1,811

TABLE SIXTEEN
Hospital Sisters Health System
Illinois Hospitals
Charity Care

	2020	2021	2022
HSHS ST. ELIZABETH'S HOSPITAL, O'Fallon			
Net Patient Revenue	\$236,229,960	\$275,017,802	\$298,570,564
Cost of Charity Care	\$4,677,255	\$2,109,541	\$1,240,131
HSHS ST. MARY'S HOSPITAL, Decatur			
Net Patient Revenue	\$139,592,400	\$154,832,237	\$163,427,620
Cost of Charity Care	\$3,626,588	\$1,856,544	\$170,995
HSHS ST. JOHN'S HOSPITAL, Springfield			
Net Patient Revenue	\$523,540,611	\$573,865,078	\$587,440,198
Cost of Charity Care	\$7,089,001	\$4,566,459	\$3,700,689
HSHS ST ANTHONY MEMORIAL HOSPITAL, Effingham			
Net Patient Revenue	\$133,797,725	\$147,745,116	\$154,760,301
Cost of Charity Care	\$2,124,114	\$1,578,632	\$455,919
HSHS ST. JOSEPH'S HOSPITAL, Breese			
Net Patient Revenue	\$51,076,177	\$60,838,212	\$72,247,331
Cost of Charity Care	\$807,372	\$486,470	\$340,456
HSHS HOLY FAMILY HOSPITAL, Greenville			
Net Patient Revenue	\$18,477,072	\$19,624,839	\$20,862,477
Cost of Charity Care	\$548,198	\$177,987	\$254,359
HSHS ST JOSEPH'S HOSPITAL, Highland			
Net Patient Revenue	\$41,475,768	\$46,902,188	\$49,917,318
Cost of Charity Care	\$621,484	\$547,545	\$505,987
HSHS GOOD SHEPHERD HOSPITAL, Shelbyville			
Net Patient Revenue	\$12,264,800	\$15,490,049	\$20,862,477
Cost of Charity Care	\$151,281	\$82,487	\$75,281
TOTAL			
Net Patient Revenue	\$1,156,454,513	\$1,294,315,521	\$1,368,088,286
Cost of Charity Care	\$19,645,293	\$11,405,665	\$6,743,817
% of Net Patient Revenue	1.70%	0.88%	0.49%

24-032 HSHS St Elizabeth Hospital - O'Fallon



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