



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

DOCKET NO: H-05	BOARD MEETING: March 18, 2025	PROJECT NO: 24-036	PROJECT COST:
FACILITY NAME: Graham Medical Group Center for Ambulatory Surgery		CITY: Galesburg	Original: \$7,917,921
TYPE OF PROJECT: Substantive			HSA: II

PROJECT DESCRIPTION: The Applicant (Graham Hospital Association) proposes to establish a multi-specialty ambulatory surgical treatment center ("ASTC") in Galesburg for \$7,917,921. The project completion date is July 31, 2026.

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

<https://hfsrb.illinois.gov/project.24-036-graham-medical-group-center-for-ambulatory-surgery.html>

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicant (Graham Hospital Association) proposes establishing a multi-specialty ASTC at 2028 North Seminary Street, Galesburg. The project cost is \$7,917,921, and the completion date is July 31, 2026.
- The proposed facility will be a multi-specialty ASTC with two operating/procedure rooms and seven recovery stations. It will provide the following surgical services/procedures: General Surgery, Urology, Obstetrics/Gynecology, vascular, Orthopedic, Podiatry, Ear/Nose/Throat (ENT), Pain Management, and Ophthalmology.
- The project consists of 8,436 GSF of newly constructed space (5,086 GSF clinical/3,350 GSF non-clinical). It will be located adjacent to a recently completed medical office/clinic building that has been operational since August 2024.
- This is a substantive project subject to Parts 1110 and 1120 review. A Safety Net Impact statement accompanied the application.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because it proposes establishing a health care facility (ASTC) as defined by the Illinois Health Facilities Planning Act. [20 ILCS 3960/3]

PURPOSE OF THE PROJECT:

- The Applicant notes the proposed ASTC will improve access to healthcare and overall patient well-being in the service area. The recent closure of Galesburg Cottage Hospital created a void in the service area, and the Applicant determined that 53% of the patient population received outpatient surgical services outside the service area in 2024. The Applicant proposes to address this out-migration by providing a setting where Graham Hospital Association clinicians can perform outpatient surgeries on their patients within the project's general service area (GSA) in a setting more aligned with payer requirements. The project will introduce additional surgical capacity and give Graham Hospital Association patients a choice for healthcare without having to travel outside of the GSA. The proposed project will also introduce Urology, Pain Management, Vascular, Gynecology, and ENT services to the service area.

PUBLIC HEARING/COMMENT:

- A public hearing was offered on the project, but no public hearing was requested.
- The State Board received no support letters. The Board Staff received letters of opposition regarding the project.

SUMMARY:

- The State Board Staff reviewed the application for permit and additional information provided by the applicants and noted the following:
- The project will improve patient access and overall well-being in the service area.
- **Reviewer Note:** While the Illinois Department of Public Health (IDPH) defines what constitutes a licensed ASTC, it does not determine the need for an ASTC. The Illinois Health Facilities and Services Review Board determines the need for an ASTC. Should the State Board approve this project, the applicants will petition IDPH to license the approved ASTC.
- There is excess capacity in the proposed 21-mile GSA at the two hospitals (see Table Seven). There are no existing ASTCs in the GSA.
The applicant addressed 23 criteria and was not compliant with the following:

Criteria	Reasons for Non-Compliance
77 Ill. Adm. Code 1110.235(c)(3) - Service Demand-Establishment	The physician referral letters are from services provided through Graham Hospital-Canton, outside of the 21-mile GSA.
77 Ill. Adm. Code 1110.235(c)(6) - Service Accessibility	Both hospitals in the GSA have unused surgical capacity that could absorb the proposed facility's workload (see Table Seven). Additionally, for CY2022 and CY2023, Graham Hospital averaged 38.3% utilization in its existing seven operating/procedure rooms. Graham Hospital does not have sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital (seven) and at the proposed ASTC (two) , based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100 of 1,500 hours per room.
77 Ill. Adm. Code 1110.235(c)(7) Unnecessary Duplication/Maldistribution	The Applicant provided referral volume from a facility outside of the 21-mile service area- Graham Hospital - Canton
77 Ill Adm. Code 1120.130 Financial Viability	The Applicant provided substandard financial viability ratios for current ratios (2022, 2023), and net margin percentages (2022, 2023)
77 Ill Adm. Code 1120.140(c) Reasonableness of Project Costs	The Applicant provided non-compliant data for new construction costs, contingency costs, and moveable equipment costs.



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STATE BOARD STAFF REPORT Project #24-036 Graham Medical Group Center for Ambulatory Surgery

APPLICATION CHRONOLOGY	
Applicants(s)	Graham Hospital Association
Facility Name	Graham Medical Group Center for Ambulatory Surgery
Location	2028 North Seminary Street, Galesburg, IL
Permit Holder	Graham Hospital Association
Operating Entity/Licensee	Graham Hospital Association
Owner of Site	Graham Hospital; Association
Gross Square Feet	8,436 GSF (5,036 GSF clinical/3,350 DGSF non-clinical)
Application Received	October 31, 2024
Application Deemed Complete	November 4, 2024
Financial Commitment Date	March 18, 2026
Anticipated Completion Date	July 31, 2026
Review Period Ends	March 4, 2025
Review Period Extended by the State Board	No
Can the applicants request a deferral?	Yes

I. Project Description

The Applicant proposes establishing a multi-specialty ASTC at 2028 North Seminary Avenue, Galesburg, for \$7,917,921. The project completion date is July 31, 2026.

II. Summary of Findings

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

III. General Information

The Applicant is Graham Hospital Association, a general not-for-profit corporation that will serve as the parent entity for the ASTC. Graham Hospital Association maintains ownership of 13 healthcare facilities located throughout HSA-II. On page 59 of the application, the Applicant provided license and accreditation numbers for these facilities.

IV. Health Service Area/Health Planning Area

The proposed ASTC will be in Knox County in Health Service Area II. This HSA includes Bureau, Fulton, Henderson, LaSalle, Marshall, McDonough, Peoria, Putnam, Stark, Tazewell, Warren, and Woodford counties. Per the December 2023 Inventory Update, there are six ASTCs in HSA-02, with 24 total operating/procedure rooms, that provided 21,619 outpatient surgical procedures, resulting in 29,046 hours of surgery.

V. Project Description

The Applicant is Graham Hospital Association. The project proposes establishing a multi-specialty ASTC containing two operating rooms and seven recovery bays in newly constructed space, in Galesburg. The ASTC will consist of 8,436 GSF of space (5,086 DGSF clinical/3,350 DGSF non-clinical) and will provide the following surgical specialties: General Surgery, Urology, Obstetrics/Gynecology, Vascular, Orthopedic, Podiatry, ENT, Pain Management, Ophthalmology.

VI. Project Costs

The applicants propose to fund the project with cash and securities (\$3,605,421), and bond proceeds (\$4,312,500) (see Table One). The estimated start-up costs and operating deficit cost is \$3,176,459.

TABLE ONE				
Uses and Sources of Funds				
Use of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Site Survey/Soil Investigation	\$7,235	\$0.00	\$7,235	.1%
Site Preparation	\$168,064	\$0.00	\$168,064	2.2%
New Construction Contracts	\$4,401,263	\$0.00	\$4,401,263	55.6%
Contingencies	\$479,433	\$0.00	\$479,433	6%
A&E Fees	\$205,083	\$0.00	\$205,083	2.6%
Movable and Other Equipment	\$2,602,337.49	\$0.00	\$2,602,337.49	32.9%
Bond Issuance Expense	\$54,505.40	\$0.00	\$54,505.40	.6%
Totals	\$7,917,920.89	\$0	\$7,917,920.89	100.00%
Source of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Cash/Securities	\$3,605,420.89	\$0.00	\$3,605,420.89	45.5%
Bond Issues	\$4,312,500	\$0.00	\$4,312,500	54.5%
Totals	\$7,917,920.89	\$0	\$7,917,920.89	100.00%
*Net Book Value of equipment to be transferred				

VII. Purpose of the Project, Safety Net Impact Statement, Alternatives

A) Criterion 1110.230(a) – Purpose of the Project

To address this criterion, an applicant must:

1. Document that the project will provide health services that improve the health care or wellbeing of the market-area population to be served.
2. Define the planning area or market area, or other area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project.
4. Cite the sources of the information provided as documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

The Applicant notes the proposed ASTC will improve access to healthcare and overall patient well-being in the service area. The recent closure of Galesburg Cottage Hospital created a void in the service area, and the Applicant determined that 53% of the patient population received outpatient surgical services outside the service area in 2024. The Applicant proposes to address this out-migration by providing a setting where Graham Hospital Association clinicians can perform outpatient surgeries on its patients within the projects general service area (GSA), in a setting more aligned with payer requirements. The project will introduce additional surgical capacity and give Graham Hospital Association patients a choice for healthcare without having to travel outside of the GSA. The proposed project will also introduce Urology, Pain Management, Vascular, Gynecology, and ENT services to the service area.

B) Criterion 1110.230(b) – Safety Net Impact Statement

The applicants must document:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

The Applicant states the purpose of the proposed ASTC is to improve access to care and preserve the healthcare and well-being for inhabitants of the projects 21mile geographical service area. The defined GSA consists of 22 zip codes (application, p. 63). The Applicant notes the proposed project will improve Safety Net Services in the GSA, due to the absence of existing ASTCs within the defined area. The approval of the proposed project will have no impact on the ability of another provider to cross-subsidize safety net services due to the absence of services and the population within the GSA, and the predicted payor mix for this ASTC is expected to be commensurate with the payor mix at Graham Hospital Association’s hospital in Canton (See Table Two). Table Three contains Charity Care data for Graham Hospital Association for years 2021, 2022, and 2023.

TABLE TWO Payor Mix Data Graham Hospital Association	
Medicare	25.4%
Medicaid	25.1%
Managed Care	47.6%
Self Pay	1.9%

TABLE THREE Charity Care Information Graham Hospital Association			
CHARITY CARE			
	2023	2022	2021
Net Patient Revenue	\$97,722,929	\$86,992,238	\$82,515,160
# of Patients Charity Care	528	322	431
Cost of Charity Care	\$1,525,986	\$1,739,631	\$2,960,265
% of Cost to Revenue	1.5%	1.9%	3.5%
MEDICAID			
	2023	2022	2021
Medicaid (# of patients)	63,314	57,930	57,278
Medicaid (cost in dollars)	\$10,207,152	\$9,104,581	\$8,517,822
% of Cost to Revenue	10.4%	10.5%	10.3%
Source: Application for Permit pages 271-273			

C) Criterion 1110.230(c) Alternatives to the Project

To demonstrate compliance with this criterion, the applicants must document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population it will serve.

The applicants considered four alternatives (see application for permit page 68).

1. Project of Greater/Lesser Scope

The Applicant considered expansion of the current surgical center, located on the campus of Graham Hospital, Canton. Despite the lesser cost and shorter project timeline, the Applicant rejected this alternative, because the ASTC would be

located outside of the GSA and would not address the immediate need for services in the GSA and HSA. Based on these compromised facets of patient service, the Applicant rejected this alternative.

2. Pursue a Joint Venture with Area Provider

This alternative was given initial consideration. However, the nearest health system to the proposed Applicant facility is St Mary's Medical Center, a Catholic faith-based facility. The Applicant was concerned that a joint operating agreement would limit the scope of services that Graham Health System would provide and would compromise the core mission to deliver comprehensive ASTC service to the GSA in the next 18-24 months. This alternative was rejected.

3. Utilize Other HealthCare Resources

The Applicant notes the infeasibility of this alternative, due to the limited presence of outpatient surgical services in the planning area. If pursuit of this alternative was warranted, patient out-migration would continue to pose a problem for accessibility in the service area, limited access to specific surgical services would continue, and there would be no ability to regulate pricing for outpatient surgical services.

4. Option as Chosen

The Applicant chose the option to establish an ASTC in the service area, in an effort to create an opportunity to provide high-quality outpatient surgical services at competitive prices and expand the service lines offered by Graham Hospital Association to the service area. Cost of this alternative: \$7,917,920.

VIII. Size of the Project, Projected Utilization of the Project, Assurances

A) Criterion 1110.234(a) – Size of the Project

To document compliance with this criterion, the Applicant must document that the proposed surgical rooms and recovery stations meet the State Board's GSF standards in Section 1110.Appendix B.

TABLE FOUR				
Size of Project				
Dept.	Cost	Existing	Proposed	New Construction
Clinical				
Operating Rooms (2)	\$4,773,654.06	0	5,086 DGSF	5,086 DGSF
Total Clinical	\$4,773,654.06		5,086 DGSF	5,086 DGSF
Non-Clinical	\$3,144,266.83	0	3,350 DGSF	3,350 DGSF
TOTAL	\$7,917,920.80	0	8,436 DGSF	8,436 DGSF

The Applicant proposes two operating rooms in 5,086 GSF of clinical space (See Table Four), which equates to approximately 2,543 GSF per room. The State standard for ASTC operating rooms is 2,075 - 2,750 BGSF per room. Thus, it appears the applicant has met the criterion's requirements.

B) Criterion 1110.234(b) – Projected Utilization

To document compliance with this criterion, the applicants must document that the proposed surgical/procedure rooms will be at target utilization or at least 1,500 hours per operating/procedure room by the second year after project completion. Section 1110.Appendix B.

The State Board Standard is 1,500 hours per OR. Based on projected utilization data (application, p. 77), the applicant projects 2,520 hours by the second year of operation.

C) Criterion 1110.234(e) – Assurances

To document compliance with this criterion, the applicants must attest that the proposed project will be at target occupancy two years after project completion.

The Applicants have provided the necessary attestation at page 82 of the Application for Permit.

IX. Establish an Ambulatory Surgical Treatment Center

A) Criterion 1110.110(a) - Background of the Applicant

To demonstrate compliance with this criterion, the applicants must provide documentation of the following:

- 1) Any adverse action taken against the applicant, including corporate officers or directors, LLC members, partners, and owners of at least 5% of the proposed healthcare 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.

- 2) A listing of all health care facilities currently owned and/or operated by the applicant in Illinois or elsewhere, including licensing, certification, and accreditation identification numbers, as applicable.

Graham Hospital Association is an Illinois-based domestic corporation incorporated in November 1905 and complies with all provisions as a general, not-for-profit corporation in Illinois. The Applicant supplied proof of their licensure/certifications and a list of all facilities owned/operated by the Applicant within this State (application, pg. 59). The Applicant attests to having no adverse actions taken against it in the three years before filing this application, and authorizes the State Board, and IDPH to verify any information contained in this application (application pgs. 60-61).

B) Criterion 1110.235(c) – Service to GSA Residents

To demonstrate compliance with this criterion, the applicant must provide a list of zip codes that comprise the GSA and patient origin information by zip code for the prior 12 months. This information must verify that at least 50% of the facility’s admissions were residents of the GSA.

The Applicant identified 22 zip codes within a 21-mile radius of the proposed facility and a population of approximately 160,494 inhabitants within this service area. Additionally, the Applicants supplied a table illustrating the origin of historical patient referrals (application, p. 73) that confirms 12,271 of its 15,091 visits to Galesburg clinics (81%), originated from zip codes within the 21-mile service area.

Based on the information provided in the application and summarized above, the proposed ASTC appear to provide services to the GSA residents.

C) Criterion 1110.235(c)(3) - Service Demand – Establishment of an ASTC Facility

To demonstrate compliance with this criterion, the applicant must provide physician referral letters that attest to the total number of treatments for each ASTC service that was referred to an existing IDPH-licensed ASTC or hospital located in the GSA during the 12-month period prior to the application. The referral letter must contain:

1. Patient origin by zip code of residence;
2. Name and specialty of referring physician;
3. Name and location of the recipient hospital or ASTC; and
4. Number of referrals to other facilities for each proposed ASTC service for each of the latest two years;
5. Estimated number of referrals to the proposed ASTC within 24 months after project completion;

6. Physician notarized signature signed and dated; and
7. An attestation that the patient referrals have not been used to support another pending or approved CON application for the subject services.

By rule, the referrals to a proposed ASTC must be from IDPH-licensed ASTCs or hospitals. The Applicant submitted eleven referral letters with zip code origins attesting to the historic referral of approximately 749 patients to Graham Hospital, Canton, and 749 projected referrals to the proposed ASTC by the second year after project completion (see Table Four). The historical referrals were determined to be from Graham Hospital, Canton, an IDPH-licensed facility, and other hospitals/ASTCs outside the service area. State Board Staff notes Graham Hospital Canton is 43.3 miles (47 min.) from the Applicant’s proposed facility, outside the 21-mile service area. The annual projected 2,597 hours of surgery (see Table Five), justify the need for two surgical suites. However, most of the historical referrals are to Graham Hospital, Canton, which is not in the 21-mile service area, and the Applicant has not met the requirements of this criterion (see Tables Four and Five).

TABLE FOUR		
Historical Referral Sources to Graham Hospital, Canton		
Physician	Referrals to Graham Hospital FY 2024	# of Total Patient Visits and # and % of Visits from Within Service Area
Dr. Chad Lampe*	39	394/347 (88%)
Dawn Knutson, APP*	48	789/716 (91%)
Shana Simmons, APP*	48	3,078/2,574 (84%)
Christina McDorman, APP*	87	1,645/1,406 (85%)
Dr. Mark Deyoung*	135	1,374/1,215 (88%)
Dr. Alyssa Crawford*	41	41/41 (100%)
Dr. Gary Shaw*	68	68/68 (100%)
Dr. Brett Barnhart*	39	39/39 (100%)
Dr. Andy Chou*	11	11/11 (100%)
Dr. Jake Ruff*	20	20/20 (100%)
Dr. Rozana Dwyer*	213	213/213 (100%)
TOTALS	749	7,672/6,650 (87%)
*Member of Graham Hospital Association Historical referrals between 7/1/23 – 6/30/24 FY 2024 APP: Advanced Practice Provider		

TABLE FIVE		
Projected Referrals to Graham Medical Group ASTC, Galesburg		
Physician Specialty/Avg. Time Per Case in Hours	Annual Projected Cases	Annual Projected Hours
Orthopedics/1.5	156	234
Pain Management/0.6	416	250
Podiatry/2.1	104	219
Vascular/1.6	104	167

TABLE FIVE		
Projected Referrals to Graham Medical Group ASTC, Galesburg		
Urology/1.2	312	375
ENT/1.5	208	312
General Surgery/1.4	520	728
Gynecology/2	156	312
TOTALS	1,976	2,597

D) Criterion 1110.235(c)(5) - Treatment Room Need Assessment

To document compliance with this criterion, the applicant must provide the projected patient volume or hours to justify the number of operating rooms requested. The applicant must also report the average treatment time per procedure.

1. Based upon the State Board Staff’s review of the referral letters, the applicant can justify 2,597 hours in the first and second years after project completion. This number of OR hours will justify the two procedure rooms being requested by the applicant [$2,597/1,500 = 1.72 / 2$ rooms]
2. The applicant supplied an estimated time per procedure (application, p. 77), which includes prep/clean-up. This time was gathered from historical case times (see Table Six).

TABLE SIX	
Average Case Time per Procedure*	
General Surgery	1.4
Gynecology	2
Orthopedic Surgery	1.5
ENT	1.5
Pain Management	0.6
Podiatry	2.1
Vascular	1.6
Urology	1.2
*Measured in hours and includes prep and clean-up	

E) Criterion 1110.235(c)(6) - Service Accessibility

To document compliance with this criterion, the applicant must document that the proposed ASTC services being established are necessary to improve access for residents of the GSA by demonstrating one of the following:

1. There are no other IDPH-licensed ASTCs within the GSA of the proposed project;
2. The other IDPH-licensed ASTC and hospital surgical/treatment rooms used for those ASTC services proposed by the project within the GSA are utilized at or above the utilization level specified in 77 Ill. Adm. Code 1100;

3. 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;
4. 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:
 - a) The existing hospital is currently providing outpatient services to the population of the subject GSA;
 - b) The existing hospital has sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital and at the proposed ASTC, based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100;
 - c) The existing hospital agrees not to increase its surgical/treatment room capacity until the proposed project's surgical/treatment rooms are operating at or above the utilization rate specified in 77 Ill. Adm. Code 1100 for a period of at least 12 consecutive months; and
 - d) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

State Board Staff note the following:

1. The GSA has existing hospitals (see Table Seven).
2. There are underutilized hospital surgical/treatment rooms in the GSA (see Table Seven).
3. The State Board Staff considers the proposed project a cooperative venture with one of the persons operating an existing hospital (Graham Hospital Association).

For CY2022 and CY2023, Graham Hospital averaged 38.3% utilization in its seven operating/procedure rooms. Graham Hospital does not have sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital (**seven**) and at the proposed ASTC (**two**), based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100 of 1,500 hours per room.

Table Seven shows there are two existing hospitals in the 21-mile GSA with surgical services functioning beneath the State Board standard. There are no operational ASTCs in this GSA. The applicants have not met the requirements of this criterion.

TABLE SEVEN				
ASTCs and Hospitals in the 21-Mile GSA				
Facility/Classification	Distance (miles)	OR/Procedure Rooms	Utilization (hours)	Met Standard?
HOSPITALS				

TABLE SEVEN ASTCs and Hospitals in the 21-Mile GSA				
Facility/Classification	Distance (miles)	OR/Procedure Rooms	Utilization (hours)	Met Standard?
OSF St. Mary's Medical Center, Galesburg	1.3	14	6,428	No
OSF Holy Family Medical Center, Monmouth	19.5	2	1,180	No
Data Taken from 2023 ASTC/Hospital Surveys				

F) Criterion 1110.235(c)(7) - Unnecessary Duplication / Maldistribution / Impact on Other Providers

- 1) To demonstrate compliance with this criterion the applicant must provide a list of all licensed hospitals and ASTCs within the proposed GSA and their historical utilization (within the 12-month period prior to application submission) for the existing surgical/treatment rooms.
- 2) To demonstrate compliance with this criterion the applicant must document the ratio of surgical/treatment rooms to the population within the proposed GSA that exceeds one and one half-times the State average.
- 3) To demonstrate compliance with this criterion the applicant must document that, within 24 months after project completion, the proposed project:
 - a) Will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and
 - b) 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.

The applicant stated the following to address this criterion:
 State Board Staff identified a GSA extending 21 miles in all directions from the site of the proposed ASTC. This GSA includes 22 zip codes and a population estimate of 160,494. No ASTCs and two acute care hospitals are in the GSA (see Table Seven).

Unnecessary Duplication of Service

ASTCs

There are no ASTCs within the GSA, which suggests a need for outpatient surgical services in the service area.

Hospitals

There are two hospitals within the GSA. Neither hospital has achieved the target occupancy of 1,500 hours per surgery/procedure room.

Maldistribution

According to the applicants, the proposed ASTC's GSA has an estimated population of 160,494 inhabitants. The number of operating/procedure rooms in the GSA is 16. This equates to one operating/procedure room for every 10,031 individuals. Illinois' estimated population is 12,549,689. The number of operating/procedure rooms in Illinois is 2,850 rooms. The ratio of population to operating/procedure rooms is one for 4,403 individuals. Based upon this analysis it does not appear there is a surplus of operating/procedure rooms in the GSA.

Reviewer Note: A surplus is defined as the ratio of operating/procedure rooms to the population within the GSA, to the State of Illinois ratio that is 1.5 times the GSA ratio.

Impact on Other Facilities

The applicant states no other provider within the GSA will be impacted because all of the volumes identified in the physician referral letters were performed at an affiliated hospital (Graham Hospital Association). Board Staff notes Graham Hospital Association is not located within the 21-mile service area, and a negative finding results.

Criterion 1110.235(c)(8) - Staffing

To demonstrate compliance with this criterion, the applicants must provide documentation that relevant clinical and professional staffing needs will be met and that a board-certified medical director will be selected.

To address this criterion, the Applicants provided a table with the proposed staffing requirements (application, p. 81), and curriculum vitae (CV) for Dr. Rozana Dwyer, M.D. (application, p. 106). The Applicant anticipates posting openings for the ASTC positions on the Graham Health System website and other professional staffing/recruitment websites. Based upon the information provided in the permit application, it appears that the proposed ASTC will be properly staffed.

H) Criterion 1110.235(c)(9) - Charge Commitment

To document compliance with this criterion, the applicants must provide the following:

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

The Applicant supplied a statement of charges (application, pgs. 107-110), and certified attestation that the identified charges will not increase for the first two years in operation.

D) Criterion 1110.235(c)(10) - Assurances

To demonstrate compliance with this criterion, the Applicant must attest that a peer review program will be implemented and that the proposed ASTC will be at target occupancy two years after project completion.

The Applicant provided certified attestation (application, p. 83), that the ASTC will continue to maintain quality patient care standards and meet or exceed the utilization standards specified in 77 Ill. Adm. Code, by the second year of operation.

X. FINANCIAL VIABILITY

A) Criterion 1120.120 - Availability of Funds

B) Criterion 1120.130 - Financial Viability

To demonstrate compliance with this criterion, the applicant must provide evidence that sufficient resources are available to fund the project.

The Applicants are funding this project with a combination of cash/securities totaling \$3,605,420, and project-related bond proceeds totaling \$4,312,500. The Applicant provided proof of a resolution from the Graham Hospital Association Board of Trustees, authorizing the use of \$4,000,000 of internally designated funds for the project (application pgs. 112-113), a bond agreement to allocate \$11,322,000 for the project (application pgs. 115-119), consolidated financial statements for FY2021 and FY2022 (see Tables Eight and Nine), and Financial Viability Ratios to demonstrate financial viability (see Tables Eight and Nine). The Applicant reported substandard historical Financial Viability Ratios (See Table Nine), and a negative finding results for Financial Viability.

TABLE EIGHT		
Graham Hospital Association Audited Financial Statements		
Fiscal Year Ended June 30th (audited)		
	2021	2022
Cash	\$11,718,191	\$8,216,200
Current Asset	\$28,514,198	\$26,905,342
Total Assets	\$27,992,362	\$232,591,256
Current Liabilities	\$19,100,173	\$17,244,907
Total Liabilities	\$64,887,253	\$60,837,818
Patient Service Revenue	\$82,056,144	\$93,018,619
Total Revenue	\$98,844,232	\$104,989,766
Operating Expenses	\$95,403,975	\$101,830,804
Operating Income	\$3,440,257	\$3,158,962
Non-Operating Gains (Losses)	\$24,804,375	(\$11,655,627)
Excess (deficiency)	\$28,244,632	(\$8,506,665)

TABLE NINE				
Historic Viability Ratios				
	State Standard	2021	2022	2023
Current Ratio	≥1.5	1.49	1.56	1.19
Net Margin %	≥3.50%	3.5%	3%	1.1%
Debt to Total Capitalization	≤80%	27.8%	28.2%	29.6%
Debt Service Coverage	≥1.75	3.6	7.33	2.9
Days Cash on Hand Cash	≥45 days	501	427	389
Cushion Ratio	≥ 3	39.08	29.58	25.72
Shaded areas denote substandard viability data.				

TABLE TEN						
Graham Hospital						
Net Income						
Medicare Cost Report						
	2018	2019	2020	2021	2022	2023
Total Patient Revenue	\$230,510,086	\$218,897,579	\$218,550,302	\$233,146,388	\$248,871,516	\$286,686,069
Contractual Allowance	\$143,291,501	\$129,130,693	\$128,441,028	\$139,246,113	\$146,972,000	\$181,649,498
Net Patient Revenue	\$87,218,585	\$89,766,886	\$90,109,274	\$93,900,275	\$101,899,516	\$105,036,571
Operating Expenses	\$85,263,400	\$99,136,061	\$97,433,532	\$106,144,516	\$109,042,611	\$109,947,741
Net Income from Net Patient Revenue	\$1,955,185	-\$9,369,175	-\$7,324,258	-\$12,244,241	-\$7,143,095	-\$4,911,170
Other Income	\$22,890,101	\$11,750,163	\$13,724,766	\$28,802,035	-\$8,052,699	\$20,049,707
Other Expense	\$11,709,028	\$1,471,595	\$5,595,733	\$137,684	\$6,837	\$0
Net Income	\$13,136,258	\$909,393	\$804,775	\$28,664,351	-\$8,059,536	\$15,137,537
Operating Margin ⁽¹⁾	0.85%	-4.28%	-3.35%	-5.25%	-2.87%	-1.71%
1. Operating Margin = Net Income from Patient Revenue ÷ Net Patient Revenue						

XI. ECONOMIC FEASIBILITY

A) Criterion 1120.140(a) - Reasonableness of Financing Arrangements

B) Criterion 1120.140(b) - Terms of Debt Financing

The applicant will fund this project with cash/securities totaling \$3,605,420 and Bond Issues amounting to \$4,312,500. The applicant provided documentation that sufficient financial viability exists to fund the entire project. Therefore, these criteria have been met.

C) Criterion 1120.140(c) - Reasonableness of Project Costs

The State Board staff applied the reported clinical costs and clinical spatial allotment (5,086 GSF) against the applicable State Board standards.

Site Survey/Site Preparation– These costs amount to \$175,299, which comprises 2.4%

of the new construction, contingencies, and equipment costs of \$7,483,073. This complies with the State standard of 5%.

New Construction Costs – These costs total \$4,401,263, or \$865.37 per GSF. ($\$4,401,263 / 5,086 \text{ GSF} = \865.37). This is **not compliant** with the State Board Standard of \$495.41 / GSF (2026 mid-point of modernization).

Contingency Costs - These costs total \$479,433, or 10.9% of new construction costs. This is **not compliant** with the State Board Standard of 10%.

Architectural and Engineering Fees – These costs total \$205,083, or 4.2% of construction and contingencies costs (\$4,880,696). These are compliant with the State Board Standard of 6.42% to 9.64%.

Moveable Equipment Not in Construction Contracts – These costs total \$2,602,337, or \$1,301,169 per room (2). This is **not compliant** with the State Board standard of \$602,324 per room (project mid-point: 2026).

Bond Issuance Expense – These cost total \$54,505. The State Board does not have a standard for these costs.

The Applicants are not compliant with new construction, contingency, and moveable equipment costs, and a negative finding results.

D) Criterion 1120.140(d) - Projected Operating Costs

The total direct operating cost per unit of service is \$1,607. The State Board does not have a Standard for these costs.

E) Criterion 1120.140(e) - Total Effect of the Project on Capital Costs

The Applicant states the total effect of the Project on Capital costs is minimal and did not supply a cost. The State Board does not have a Standard for these costs.

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