



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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

BOARD MEETING: April 14, 2026	PROJECT NO: 25-028	PROJECT COST: Original: \$1,131,304
FACILITY NAME: Sozo Surgery Center	CITY: Niles	
TYPE OF PROJECT: Substantive		HSA: VII

DESCRIPTION: The Applicants (Sozo Surgery Center, LLC, and Dr. Sam Speron) are requesting the State Board's approval of an ASTC for \$1,131,304 to provide plastic and reconstructive surgery. The proposed ASTC will be located in Niles, Illinois. The expected completion date is upon State Board approval.

Information on this Application for Permit can be found at this link:
<https://hfsrb.illinois.gov/project.25-028-sozo-surgery-center,-llc.html>

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Sozo Surgery Center, LLC, and Dr. Sam Speron) are requesting the State Board's approval of an ASTC for \$1,131,304 to provide plastic and reconstructive surgery. The facility is currently a one-room office-based surgery center. The proposed ASTC will be located in Niles, Illinois. The expected completion date is upon State Board approval.

PURPOSE OF THE PROJECT:

- The purpose of the project is to provide expanded access to highly specialized cosmetic and reconstructive surgery services to the community.

PUBLIC COMMENT:

- There was no request for a public hearing, and the State Board received no letters of support or opposition.

SUMMARY

- The State Board's primary goal is to contain healthcare costs and ensure access to quality care by preventing unnecessary duplication of facilities and services. The State Board only considers referrals from other licensed healthcare providers (ASTC and Hospitals). Referrals from unlicensed, office-based practices are not included in the HFSRB's evaluation of projected patient volume or assessment of the need for the new facility.
- The Applicants are projecting 470 procedures by the second year after project completion. Based on the number of historical referrals to hospitals and ASTC (approximately 50 referrals), the Applicants have not demonstrated sufficient **service demand** for this project.
- **The Applicants stated in response to service demand,** *“Our surgical practice focuses heavily on skin cancer reconstruction, complex mole excisions, and other medically necessary procedures often requiring wide local excisions and multi-layer closure or flaps and skin grafts. Historically, many of these cases were managed in an office setting under local anesthesia, with multiple staged procedures. This has been an effective and safe way to reduce the need for hospital-based surgical care, especially for elderly or comorbid patients who either decline or are not optimal candidates for general anesthesia or hospital admission. However, this approach is not optimal in terms of efficiency, patient comfort, or overall cost-effectiveness. For instance, patients with multiple non-melanoma skin cancers - often found on the face, scalp, trunk, or extremities - require multiple separate office procedures spaced weeks apart to achieve complete excision and reconstruction. In contrast, under ASC licensure, these same patients can be treated in a single, consolidated session under monitored anesthesia care or general anesthesia, thereby improving safety, reducing logistical burden, and shortening recovery time.”*

Criterion	Non-Compliance
77 Ill. Code 1110.235(c)(2)(B)(i) & (ii) – Service to GSA Residents	The Applicants provided a list of zip codes within a 10-mile radius of the proposed ASTC’s geographical service area, with a total population of 2,087,843. Office-based patient origin data indicated that at least 50%

	of patients were from within the service area. However, referrals from unlicensed, office-based practices are not included in the HFSRB's evaluation of projected patient volume and assessment of the need for the new facility.
77 Ill. Code 1110.235(c)(3)(A) & (B) or (C) – Service Demand	The Applicants are projecting 470 procedures by the second year after project completion. Forty-eight of the historical referrals were performed at the Associated Surgical Center in Arlington Heights, IL, and one procedure was performed at Resurrection Medical Center in Chicago, IL. Based on the number of historical referrals, the Applicants has not demonstrated sufficient service demand for this project.
(77 Ill. Code 1110.235(c)(6) - Service Accessibility	As shown in Tables Two and Three, all ASTCs within the 10-mile radius are operating below the 80% target occupancy, and four of the six hospitals are operating below this target. Additionally, the Applicants have not demonstrated that sufficient demand exists in this GSA, as focusing solely on plastic and reconstructive surgery in a single operating room appears insufficient to address community access issues. Based on the information reviewed, the project appears to add unnecessary capacity for procedures that do not appear to address community service access issues.
(77 Ill. Code 1110.235(c)(7)(A) through (C) - Unnecessary Duplication Maldistribution	The Mission of the State Board is to promote the orderly and economic development of healthcare facilities that avoid unnecessary duplication of service. Unnecessary duplication of services can increase overall healthcare costs. As shown in Tables Two and Three, all the ASTCs within the 10-mile radius, along with four of the six hospitals, are not operating at the 80% target utilization.



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State Board Staff Report Sozo Surgery Center Project #25-028

APPLICATION / CHRONOLOGY / SUMMARY	
Applicants	Sozo Surgery Center, LLC, Dr. Sam Speron
Facility Name	Sozo Surgery Center, LLC
Location	7157 West Howard Street
Permit Holder	Sozo Surgery Center, LLC
Operating Entity	Sozo Surgery Center, LLC
Owner of Site	7157 Howard, LLC
Application Received	July 28, 2025
Application Deemed Substantially Complete	August 31, 2025
Review Period Ends	January 19, 2026
Project Completion Date	Upon State Board Approval
Review Period Extended by the State Board Staff?	No
Can the Applicants request a deferral?	Yes

I. The Proposed Project

The Applicants (Sozo Surgery Center, LLC, and Dr. Sam Speron) are requesting the State Board's approval of an ASTC for \$1,131,304 to provide plastic and reconstructive surgery. The proposed ASTC will be located in Niles, Illinois. The expected completion date is upon State Board approval.

II. Summary of Findings

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

III. General Information

Sozo Surgery Center, LLC is owned 100% by Sam Speron, MD. Sozo Surgery Center, LLC, has no interest in any other healthcare facility. Dr. Speron does have a direct interest in Dr. Speron Plastic Surgery, SC. Dr. Speron is a board-certified plastic surgeon with over 30 years of experience. He received his Bachelor of Science in Psychology from Loyola University Chicago and his Doctor of Medicine Degree from the Chicago Medical School. He completed his general surgery residency training and his fellowship in plastic and reconstructive surgery at Loyola University Medical Center. Dr. Speron performs a wide

variety of plastic and reconstructive procedures, including skin cancer surgery and panniculectomies¹, and extensive reconstructive procedures.

The project is a substantive project subject to review under Part 1110 and Part 1120. The financial commitment will be made upon permit issuance.

IV. Project Details

Sozo Surgery Center, LLC, proposes to establish a limited-scope, single-room ambulatory surgical treatment center (ASTC) providing plastic and reconstructive surgery services in a preexisting single-story medical building with one operating room. The proposed facility will be located at 7157 West Howard Street, Niles, IL. Dr. Speron is the sole owner of Sozo Surgery Center.

V. Project Uses and Sources of Funds

The Applicants is funding this project with \$32,000 in cash and the Fair Market Value of the leased space of \$1,099,304.

TABLE ONE			
Project Costs and Sources of Funds			
Use of Funds	Clinical	Non-Clinical	Total
Consulting and Other Fees	\$28,000	\$4,000	\$32,000
FMV of Leased Space	\$853,304	\$246,000	\$1,099,304
Total	\$881,304	\$250,000	\$1,131,304
Sources of Funds	Clinical	Non-Clinical	Total
Cash	\$28,000	\$4,000	\$32,000
FMV of Leased Space	\$853,304	\$246,000	\$1,099,304
Total	\$881,304	\$250,000	\$1,131,304

VI. Background of the Applicants, Purpose of the Project, Safety Net Impact, Alternatives to the Project

- A. 77 Ill. Adm. Code 1110.110 (a) – Background of Applicants
- B. 77 Ill. Adm. Code 1110.110 (b) – Purpose of the Project
- C. 77 Ill. Adm. Code 1110.110 (c) – Safety Net Impact
- D. 77 Ill. Adm. Code 1110.110 (d) – Alternatives to the Project

A) Background of Applicants – Review Criteria

An Applicants must demonstrate that it is fit, willing, and able, and *has the qualifications, background, and character to adequately provide a proper standard of health care service for the community*. [20 ILCS 3960/6] In evaluating the qualifications, background and character of the Applicants, HFSRB shall consider

¹ A panniculectomy is a surgical procedure that removes excess skin and fat (pannus) from the lower abdomen, often after significant weight loss. It's primarily performed to address functional issues caused by the excess skin, such as skin irritation, rashes, or difficulty with hygiene, rather than for cosmetic purposes.

whether adverse action has been taken against the Applicants, 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 Applicants, directly or indirectly, within 3 years preceding the filing of the application. A health care facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. Suppose any person or entity owns any option to acquire stock. In that case, the stock shall be owned by that person or entity (see 77 Ill. Adm. Code 1100 and 1130 for definitions of terms such as "adverse action," "ownership interest," and "principal shareholder").

The Applicants attest that 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, licensing or certification records of other states, when applicable, and records of nationally recognized accreditation organizations.

Based upon the information provided and reviewed, the Applicants have demonstrated that they are fit, willing, and able, and possess the necessary qualifications, background, and character to provide proper healthcare services to the community.

B) Purpose of the Project – Information Requirements

The Applicants shall document that the project will provide health services that improve the healthcare or well-being of the population to be served in the market area. The Applicants shall define the planning area, market area, or any other relevant area as they deem appropriate.

The purpose of the proposed ASTC project is to expand access to highly specialized cosmetic and reconstructive surgery services for the community. The Applicants believe this project will increase access to efficient, high-quality care for those in need of these procedures and make these services available to Dr. Speron's current patient base. Many of the procedures Dr. Speron performs due to their complexity or anesthesia requirements are appropriate only in hospital or ASTC settings. If approved, the proposed ASTC would be the only facility in the market area that specializes solely in plastic and reconstructive surgery.

Problems

- Limited Availability of a hospital operating room
- Hospitals often do not have the correct instruments or specific state of the art equipment.

The Applicants state that the primary goal of this project is to improve the health and well-being of patients who have had skin cancer, severe burns, or disfiguring accidents. The Applicants believe this goal is achieved by providing necessary care using clinically relevant procedures and state-of-the-art technology. According to the Applicants, the facility will be better equipped to accomplish these goals by allowing Dr. Speron and his team to efficiently handle complex cases.

C) Safety Net Impact Statement – Information Requirements

All healthcare facilities, except skilled and intermediate long-term care facilities licensed under the Nursing Home Care Act, shall provide a safety net impact statement, which shall

be filed with an application for a substantive project (see Section 1110.40). Safety net services are those offered by healthcare providers or organizations that serve individuals with barriers to mainstream healthcare, including lack of insurance, inability to pay, special needs, ethnic or cultural characteristics, or geographic isolation. [20 ILCS 3960/5.4]

Sozo Surgery Center, LLC, is a new entity and has no applicable historical data for this section of the application. The Applicants states **that the proposed facility is anticipated to have no material impact on essential safety-net** services in the community. According to the Applicants, Sozo Surgery Center has long maintained a commitment to serving diverse communities in Chicago and the Chicagoland area. That diversity has included both racial and economic diversity. This is evidenced by the proposed business plan for the facility, which aims to serve Medicaid patients—a service that many area ASTCs do not currently provide. The community and existing patients served by Dr. Speron are both racially and economically diverse. This project is proposed to increase access to care within the community without materially impacting area facilities.

Estimate of Payor Mix by # of Patients and Revenue		
	# of patients	Revenue
Medicare	32.00%	24.00%
Medicaid	9.00%	1.00%
Commercial Ins	58.00%	75.00%
Charity	1.00%	0.00%

D) Alternatives to the Proposed Project – Information Requirements

1. Continue Utilizing Hospital ORs (Cost: \$0)
2. Partner with an Existing Surgery Center (Cost: unknown)
3. Expand Office-Based Procedures (Cost: \$0)

The Applicants considered three alternatives to the proposed project.

1. Continuing to utilize Hospital operating rooms was rejected because the Applicants believed it would leave the market with unmet needs for accessible plastic and reconstructive surgery services.
2. Partnering with an existing surgery center was dismissed because the Applicants found that providers interested in such a venture were less willing to serve a patient base with a significant number of Medicare and Medicaid patients, which was a core part of the Applicant's mission to address access issues.
3. The final option involved expanding the project's office-based procedures, which is not a viable option because it would not result in improving the current lack of access. The Applicants would not be able to provide the enhanced care they seek through the proposed ASTC. The Applicants is looking to offer more complex procedures to patients within the American Association for Accreditation of Ambulatory Surgical Facilities

(AAAASF) accredited ASTC scope, which is not eligible for office-based settings. To deliver these surgical services in an office-based setting, patients would need to attend multiple appointments and experience prolonged recovery times. In contrast, an Ambulatory Surgical Treatment Center (ASTC) can often facilitate a more efficient single-visit experience with faster recovery. Furthermore, many of these procedures are only clinically appropriate or permissible in an ASTC or hospital environment, given the necessary equipment, safety protocols, and regulatory standards.

VII. Project Size and Projected Utilization

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

A) Size of the Project

The Applicants is proposing 2,500 BGSF. The State Board Standard is 2,750 BGSF. The Applicants has met the State Board's requirements.

B) Projected Utilization

If the project is approved, the Applicants projects 470 surgeries by the second year after project completion, with an estimated 3 hours per surgery. Should these surgeries materialize, the Applicants will have justified the use of one operating room.

VIII. Establishment of ASTC

Establishment of ASTC	
77 Ill. Code 1110.235(c)(2)(B)(i) & (ii)	Service to GSA Residents
77 Ill. Code 1110.235(c)(3)(A) & (B) or (C)	Service Demand – Establishment
77 Ill. Code 1110.235(c)(5)(A) & (B)	Treatment Room Need Assessment
77 Ill. Code 1110.235(c)(6)	Service Accessibility
77 Ill. Code 1110.235(c)(7)(A) through (C)	Unnecessary Duplication Maldistribution
77 Ill. Code 1110.235(c)(8)(A) & (B)	Staffing
77 Ill. Code 1110.235(c)(9)	Charge Commitment
77 Ill. Code 1110.235(c)(10)(A) & (B)	Assurances

A) Formula Calculation

As stated in 77 Ill. Adm. Code 1100, no formula is needed for the determination of the number of ASTCs, and the number of surgical/treatment rooms in a geographic service area has been established. Need shall be established pursuant to the applicable review criteria of this Part.

B) Service to Geographic Service Area Residents

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

- i) The Applicants shall provide a list of zip code areas (in total or in part) that comprise the GSA. The GSA is the area consisting of all zip code areas that are located within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) of the project's site.
- ii) The Applicants shall provide patient origin information by zip code for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the GSA. Patient origin information shall be based on the patient's legal residence (excluding a healthcare facility) for the 6 months immediately preceding admission.

The Applicants provided a list of zip codes within a 10-mile radius of the proposed ASTC's geographical service area, with a total population of 2,087,843. Office-based patient origin data indicated that at least 50% of patients were from within the service area. However, referrals from unlicensed, office-based practices are not included in the HFSRB's evaluation of projected patient volume and assessment of the need for the new facility. The Applicants have not successfully addressed this criterion.

C) Service Demand – Establishment of an ASTC Facility or Additional ASTC Service

The Applicants shall document that the proposed project is necessary to meet the service demand experienced by the Applicants annually over the past 2 years, as evidenced by historical and projected referrals. The Applicants shall document the information required by subsection (c)(3) and either subsection (c)(3)(B) or (C):

A) Historical Referrals

The Applicants shall provide physician referral letters that attest to the physician's total number of treatments for each ASTC service that has been referred to existing IDPH-licensed ASTCs or hospitals located in the GSA during the 12 months before submission of the application. 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) number of referrals to other facilities for each proposed ASTC service for each of the last 2 years.

B) Projected Service Demand

The Applicants 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's 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 applicant's historical 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.

An Applicants must demonstrate that the proposed project is necessary to meet the established demand. Applicants must provide a projection of patient volume for each service, substantiated by historical and projected patient referrals from licensed hospitals or ASTCs, not from private, office-based practices.

The Applicants is projecting 470 procedures by the second year after project completion. Forty-eight of the historical referrals were performed at the **Associated Surgical Center**, 129 W. Rand Road, Arlington Heights, IL, and one procedure was performed at **Resurrection Medical Center**, 7435 W. Talcott Ave, Chicago, IL. Based on the number of historical referrals, the Applicants has not demonstrated sufficient service demand for this project.

The State Board cannot use office-based procedures to determine service demand because its regulations restrict the data available to demonstrate community need. The intent behind this rule is to prevent the unnecessary duplication of services. Illinois administrative rules specify which data may be used to justify the demand for new facilities, particularly ambulatory surgical treatment centers (ASTCs). Referrals from office-based settings are explicitly excluded. By limiting the evidence to licensed facilities (existing ASTCs and hospitals), the HFSRB ensures applications are based on a documented, community-level need rather than individual physicians' case volumes. Arguments have been made that shifting procedures from hospitals to ASTCs lowers costs. However, this argument is complex to verify because the analysis must also account for the fixed expenses that remain at the hospital. The transfer of revenue from one licensed facility to another does not necessarily result in an overall cost reduction for the healthcare system.

Response from Applicants

"Thank you for the opportunity to clarify our submission. We understand the state's concern about the relatively low historical ASC/hospital utilization data, and we appreciate the opportunity to explain our care model in more detail."

Our surgical practice focuses heavily on skin cancer reconstruction, complex mole excisions, and other medically necessary procedures often requiring wide local excisions and multi-layer closure or flaps and skin grafts. Historically, many of these cases were managed in an office setting under local anesthesia, with multiple staged procedures. This has been an effective and safe way to reduce the need for hospital-based surgical care, especially for elderly or comorbid patients who either decline or are not optimal candidates for general anesthesia or hospital admission.

However, this approach is not optimal in terms of efficiency, patient comfort, or overall cost-effectiveness. For instance, patients with multiple non-melanoma skin cancers - often found on the face, scalp, trunk, or extremities - require multiple separate office procedures spaced weeks apart to achieve complete excision and reconstruction. In contrast, under ASC licensure, these same patients can be treated in a single, consolidated session under monitored anesthesia care or general anesthesia, thereby improving safety, reducing logistical burden, and shortening recovery time.

Here are two illustrative examples based on our recent cases:

- 1. Patient A – Recurrent Basal Cell Carcinoma of the Scalp and Cheek*
 - Required two separate office visits under local anesthesia for excision and layered closure due to the inability to tolerate more extensive excisions in one session.*
 - Had to return multiple times for wound checks, suture removal, and wound care.*
 - With an ASC, this same case would be completed in one 1.5–3-hour session with IV Propofol, avoiding multiple recoveries and reducing overall risk.*
- 2. Patient B – Multiple Squamous Cell Carcinomas*
 - Five separate lesions were removed over two office visits, staged due to discomfort, bleeding risk, and patient fatigue.*
 - A single outpatient session at an ASC would have enabled complete excision and flaps/grafting in one controlled surgical environment, minimizing infection risk and improving patient satisfaction.*

This pattern is consistent with that observed in dozens of patients seen annually. Our low historical ASC/hospital utilization reflects a conscious effort to manage cases conservatively in the office setting. Establishing an accredited Class C ASC will enable us to transition toward a more centralized, efficient, and patient-centered surgical model. We are not increasing volume; we are consolidating care that was previously fragmented into multiple minor procedures into a single, definitive surgical episode. This accounts for the apparent discrepancy in historical ASC use versus projected future utilization.”

D) Treatment Room Need Assessment – Review Criterion

A) The Applicants 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 on an annual minimum utilization of 1,500 hours per room, as established in 77 Ill. Adm. Code 1100.

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

The Applicants proposes one operating room for performing plastic and reconstructive surgery. The Applicants has stated that the surgery center will perform 470 procedures, each lasting 3 hours, within two years after project completion. Should this project be approved, the Applicants can justify the need for one surgery room. ($470 * 3 \text{ hours} = 1,410 \text{ hours}$)

E) Service Accessibility

The proposed ASTC services being established or added are necessary to improve access for GSA residents. The Applicants 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 those 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 whom 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 at 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 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

iv) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

In response to this criterion, the Applicants stated that 11 of the facilities listed below are located within the city of Chicago, rather than in suburban Chicago, where the proposed ASTC is located. The Applicants state that traveling from the suburbs to the city is burdensome, if not impossible, for many patients in the GSA. The Applicants state this poses a significant barrier to accessibility. Eight of the hospitals and ASTCs listed below do not offer plastic surgery services. The Applicants state that none of the facilities listed below specializes solely in plastic and reconstructive surgery, meaning they lack the Applicant's specialization.

The State Board defines service accessibility as geographic access to necessary healthcare for residents within a specific area, such as a planning or service area or a geographical service area. The State Board requires Applicants for new or expanded services to

demonstrate that their project is needed and will increase access, particularly for underserved populations.

As shown in the Tables below, all ASTCs within the 10-mile radius are operating below the 80% target occupancy, and four of the six hospitals are operating below this target. Additionally, the Applicants have not demonstrated that sufficient demand exists in this GSA, as focusing solely on plastic and reconstructive surgery in a single operating room appears insufficient to address community access issues. Based on the information reviewed, the project appears to add unnecessary capacity for procedures that do not appear to address community service access issues.

TABLE TWO
ASTC within the GSA

ASTCs within 10 miles of the Proposed ASTCs

ASTC	City	Miles	Rooms	Hours	Utilization	Specialties
Western Diversey Surgical Center	Chicago	9	2	958	25.55%	OB/Gyn, Pain Management
Fullerton Kimball Medical and Chicago	Chicago	8	3	1689	30.03%	General Surgery, Neuro, OB/GYN, Ortho, Pain Management, Podiatry, Urology
Chicago Surgery Center	Chicago	8	1	983	52.43%	General Surgery, Ortho, Pain Management, Podiatry
Fullerton Surgery Center	Chicago	7	3	1233	21.92%	General Surgery, Gastro, Ortho, Pain Management, Urology
Advanced Ambulatory Surgical	Chicago	7	3	1268	22.54%	Derm, General Surgery, Gastro, Neuro, OB/GYN, Ortho, Pain Management, Podiatry, Urology
Belmont/Harlem Surgery Center	Chicago	6	4	1203	16.04%	General Surgery, Gastro, Ophthalmology, Pain Management, Podiatry
Lakeshore Surgery Center	Chicago	6	2	1063	28.35%	General Surgery, Ortho, Pain Management
Northshore Surgical Center	Lincolnwood	5	3	3401	60.46%	General Surgery, OB/Gyn, Ophthalmology, Plastic, Podiatry, Pain Management

TABLE THREE
Hospitals with the GSA

Hospitals within 10 miles of the Proposed Project

Hospital	City	Miles	Rooms	Hours	Utilization
West Suburban Medical Center	Chicago	9	8	2,247	14.98%
Thorek Memorial Hospital	Chicago	9	7	1,906	14.52%
Community First Medical Center	Chicago	6	10	4,557	24.30%
Advocate Lutheran General	Park Ridge	3	34	52,578	82.48%

TABLE THREE
Hospitals with the GSA

Hospitals within 10 miles of the Proposed Project					
Prime Resurrection Medical Center	Chicago	3	14	13,349	50.85%
Endeavor Health Evanston	Evanston	7	22	36,087	87.48%

F) Unnecessary Duplication/Maldistribution – Review Criterion

A) The Applicants shall document that the project will not result in unnecessary duplication. The Applicants 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 health care facilities located within the GSA that provide the ASTC services that are proposed by the project.

B) The Applicants shall document that the project will not result in 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 population that exceeds one and one-half times the State average.
- ii) historical utilization (for the latest 12-month period before submission of the application) for existing surgical/treatment rooms for the ASTC services proposed by the project that are 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 the utilization standards specified in 77 Ill. Adm. Code 1100.

C) The Applicants 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.

The Illinois Health Facilities and Services Review Board (HFSRB) defines unnecessary duplication of service by measuring the utilization rate of existing services within a specified travel radius of a proposed new facility. If existing facilities are operating below the board's target occupancy rate, a new facility would be seen as an unnecessary duplication of services.

In response to this criterion, the Applicants stated that the project is designed to treat Dr. Sam Speron's existing patient base. Patients seeking more complex plastic and reconstructive surgical services that cannot be performed in an office setting must wait until a time becomes available at an area hospital or other ASTC where Dr. Speron has privileges. The Applicants state that assessing this issue requires going beyond the numbers to determine whether these services are truly needed in the community and whether those needs can be met in practice and effectively by existing facilities.

The Applicant states that, while area facilities have some capacity, multiple studies, articles, and actions by the Centers for Medicare & Medicaid Services (CMS) have shown that outpatient procedures in an ASTC setting are less costly when medically appropriate. There are substantial cost incentives, and ASTCs offer more patients better access to care at a lower cost. Moreover, from an infection-control standpoint, ASTCs reduce patients' exposure to illness in hospitals.

The Applicants state that none of the licensed ASTCs and hospitals in the geographic service area offer what this project proposes to provide. They are not designed specifically for plastic and reconstructive surgery. In fact, only a handful of facilities offer plastic surgery. All facilities in the geographic services area are multi-specialty ASTCs or hospitals that provide procedures across various service categories. Patients seek out Dr. Speron for his and his practice's commitment to providing cutting-edge procedures using state-of-the-art technology in a safe, efficient facility. This minimizes the likelihood of maldistribution. Because none of these facilities is a destination for Dr. Speron's patients, they should not reduce utilization of other area providers below the established standard. As a result, the impact on other ASTCs is expected to be minimal. (Page 69 Application for Permit)

State Board Staff Notes: The Mission of the State Board is to promote the orderly and economic development of healthcare facilities that avoid unnecessary duplication. Unnecessary duplication of services can increase overall healthcare costs. Underutilized facilities can drive up prices as they compete for a limited number of patients to cover their operating expenses. New centers must demonstrate a clear need beyond existing capacity.

A) As can be seen in the Tables above, all the ASTCs within the 10-mile radius and four of the six hospitals are not operating at the 80% target utilization.

B) There are approximately 2,756 operating procedure rooms in the State of Illinois. The population of the State of Illinois is 12,710,158 (as of 2024). The ratio of operating/procedure rooms per 1,000 population in the State of Illinois is 0.216. The ratio of operating/procedure rooms to population in the 10-mile GSA is .056. The ratio of operating/procedure rooms in the 10-mile GSA is not 1.5 times the ratio of operating/procedure rooms in the State of Illinois.

C) The Applicants state that the proposed ASTC should not lower the utilization of other area providers below the established 80% standard. According to the Applicants, the impact on other ASTCs is expected to be minimal.

G) Staffing

A) Staffing Availability

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

B) Medical Director

It is recommended that the procedures to be performed for each ASTC service be under the direction of 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.

A narrative explanation of how the proposed staffing will be achieved was provided as required. The facility will appoint Sam Speron, M.D., a board-certified Plastic Surgeon, as Medical Director for the facility. The Applicants stated that it has not traditionally

experienced any difficulties staffing its existing offices, nor does it anticipate any difficulties staffing the proposed ASTC. According to the Applicants, additional staff will be identified and employed as needed, utilizing existing job search sites and professional placement services.

The State Board Staff Notes: While specific ratios are not legally mandated for ASCs, the number of employees must be sufficient to ensure patient safety and quality of care. Since the Sozo Surgery Center is a single-specialty plastic and reconstructive surgery facility, staff with specific training and experience in these procedures will be required.

H) 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 Applicants shall submit the following:

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

A list of the relevant CPT codes, procedures, and charges for the proposed ASTC has been provided on pages 76-80 of the Application for Permit. The Applicants confirms that it will not increase these charges for at least 24 months. The Applicants provided the necessary information.

I) Assurances

- A) The Applicants shall attest that a peer review program exists or will be implemented that evaluates whether patient outcomes are consistent with quality standards established by professional organizations for the ASTC services, and if outcomes do not meet or exceed those standards, that a quality improvement plan will be initiated.
- B) The Applicants shall document that, in the second year of operation after the project completion date, the annual utilization of the surgical/treatment rooms will meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100. Documentation shall include, but not be limited to, historical utilization trends, population growth, expansion of professional staff or programs (demonstrated by signed contracts with additional physicians), and the provision of new procedures that would increase utilization.

The Applicants provided the necessary assurance as required at pages 81-82 of the Application for Permit. The Applicants provided the essential information as needed.

IX. Financial Viability and Economic Feasibility

- A) 77 Ill. Code 1120.120 - Availability of Funds
- B) 77 Ill. Code 1120.130 – Financial Viability
- C) 77 Ill. Code 1120.140 (a) – Reasonableness of Financing arrangements
- D) 77 Ill. Code 1120.140 (b) – Terms of Debt Financing
- E) 77 Ill. Code 1120.140 (c) – Reasonableness of Project Costs
- F) 77 Ill. Code 1120.140 (d) – Direct Operating Costs
- G) 77 Ill. Code 1120.140 (e) – Effect of the Project on Capital Costs

A) Availability of Funds

The Applicants are funding this project with a cash contribution of \$32,000 and the Fair Market Value of the Leased Space of \$1,099,304. The Applicants provided a letter from Chase Bank confirming that they had sufficient cash to fund the cash portion of the project.

B) Financial Viability

The Applicants does not have an “A” or better bond rating; therefore, the financial viability ratios must be provided. Table Four provides the financial ratios for the proposed ASTC for the first three years of operation. Table Five presents the pro forma financial statements for the ASTC.

TABLE FOUR					
Financial Viability Ratios					
	State				Met
Viability Ratios	Standard	Year 1	Year 2	Year 3	Standard
Current Ratio	≥1.5	5.25	9.14	13.41	Yes
Net Margin %	≥3.5%	19.76%	21.99%	22.76%	Yes
Long Term Debt to Capitalization	≤80%	38.05%	31.76%	26.42%	Yes
Projected Debt Service	≥1.75	2.86	3.74	4.12	Yes
Days Cash in Hand	≥45 days	114.93	191.63	277.07	Yes
Cushion Ratio	≥3.0	4.11	7.85	11.97	Yes

TABLE FIVE			
Pro-Forma Financial Statements			
	Year 1	Year 2	Year 3
Assets	\$991,824	\$1,243,700	\$1,521,950
Liabilities	\$681,900	\$651,582	\$619,152
Equity	\$309,924	\$592,108	\$902,798
Patient Service	\$1,200,000	\$1,410,000	\$1,500,000
Surgery Supplies	\$108,000	\$126,500	\$135,000
Gross Profit	\$1,092,000	\$1,283,100	\$1,365,000
Expenses	\$876,273	\$1,000,906	\$1,054,320
Net Income	\$215,727	\$282,194	\$310,680

Financial Assumptions

The Applicants state that the financial projections were designed to reflect the realistic operating trajectory of the ambulatory surgery center (ASC) based on case-driven growth. By focusing on case-driven revenue growth and proportionate expense scaling, the pro forma tests the project's viability under constant-dollar conditions. The exclusion of explicit inflationary assumptions does not materially affect the projected financial viability. Inflation would be expected to impact both revenues and expenses. Over the short three-year projection horizon, the resulting changes would be minimal relative to the volume-driven growth assumptions that are the primary determinant of financial performance.

Revenue Projections

- Year 1 reimbursement assumptions were derived from current market experience and payer/procedure mix, resulting in a fixed per-case average reimbursement assumption.
- Revenues in Years 2–3 were increased solely through volume growth (case growth), not inflation.

Expense Projections

- Year 1 operating expenses were developed from an established operating baseline, using actual cost experience of comparable facilities.
- Subsequent-year expenses were trended as a percentage of revenue. This method assumes that costs such as supplies, staffing, and overhead scale with case volume.

C) Reasonableness of Financing Arrangements**D) Terms of Debt Service**

The lease is for 15 years, with a monthly payment of \$6,285, and includes a 5-year renewal option. The landlord is 7157 Howard L.L.C. The lease appears reasonable. (Application for Permit pages 28-35)

E) Reasonableness of Project Costs

Fair Market Value of Leased Space is \$1,099,304. The State Board does not have a standard for this cost.

F) Direct Operating Costs

The direct operating cost per visit is \$2,191. The State Board does not have a standard for this cost.

G) Effect of the Project on Capital Costs

The total effect of the project on capital visits is \$186. The State Board does not have a standard for this cost.

Conversion from Office-Based Surgery to an Ambulatory Surgery Treatment Center

An ASC conversion from an Office-Based Surgery provider offers a combination of **financial incentives, increased operational control for physicians, lower costs for patients and payers, and the ability to perform a broader range of procedures**. As a fully licensed ASC, the center can bill Medicare and private insurers for a separate facility fee, which is not typically available to an office-based surgery (OBS) center operating solely under a physician's license. While ASC facility fees are generally lower than hospital outpatient department (HOPD) rates, they can be significantly more profitable for physicians than the Medicare Physician Fee Schedule (MPFS) rates used for OBS centers for specific procedures. Procedures at ASCs are considerably less expensive than those in hospital settings, which is appealing to private insurers and Medicare, potentially leading to increased patient volume and more favorable contract negotiations.

Physician owners in an ASC have greater control over scheduling, equipment selection, and specialized staff selection, which can lead to greater efficiency and higher-quality care compared to the administrative demands of a hospital. ASCs focus on a narrower scope of outpatient procedures, enabling more streamlined workflows, faster turnover times, and fewer delays or cancellations due to hospital emergencies. Patients often report greater satisfaction in an ASC setting due to personalized care, shorter wait times, and the ability to recover at home the same day. Advances in medical technology and changes in regulatory approvals have enabled more complex procedures (such as total joint replacements) to be safely performed in an outpatient setting, necessitating a more robust infrastructure and ASC licensing. Converting to a licensed ASC ensures adherence to strict state and federal safety and quality guidelines that may be more comprehensive than OBS standards, positioning the center for long-term growth and compliance. The primary difference in licensing is that an Ambulatory Surgery Center (ASC) operates under its own separate facility license. At the same time, an Office-Based Surgery (OBS) center functions under the physician's existing medical practice license.

Licensing and Regulatory Differences

Feature	Office-Based Surgery (OBS)	Ambulatory Surgery Center (ASC)
Licensing	Operates under the physician's existing medical license.	Requires a separate, specific state facility license.
Regulatory Oversight	Oversight varies by state; some states have minimal, specific oversight of OBS facilities.	Subject to rigorous federal (CMS) and state inspections and regulations.
Medicare Certification	Generally, it cannot be Medicare-certified as a facility or bill for a facility fee.	Must be Medicare-certified to receive federal reimbursement, which requires meeting specific Conditions for Coverage (CfC).

Physical Separation	Integrated within a physician's private medical office space.	Must be a distinct entity, physically and operationally separate from any other medical practice or facility.
Space Requirements	Subject to less stringent physical plant and building code requirements.	Must meet comprehensive and rigorous building codes, including specific infrastructure for high-performance HVAC, emergency power, and medical gases.
Accreditation	May seek voluntary accreditation from bodies like the Joint Commission or Quad A to demonstrate adherence to high standards, though this is often not mandatory for licensing.	Accreditation by a CMS-approved organization (such as The Joint Commission or the Accreditation Association for Ambulatory Health Care (AAAHC)) can fulfill Medicare certification requirements (known as "deemed status").

In summary, the ASC licensing process is more formal, requiring the center to operate as a standalone healthcare facility with its own dedicated license and subject to ongoing, strict regulatory oversight. In contrast, an OBS is considered part of the physician's private practice. ASC licensure significantly affects billing and reimbursement by allowing the center to bill for a separate facility fee, which is not permitted for an Office-Based Surgery (OBS) center. The ASC submits a separate claim for facility services (e.g., nursing, equipment, supplies, and overhead costs) using a facility claim form (UB-04), but submits it to Medicare on a CMS-1500 with a TC modifier for the technical component, while the physician bills separately for professional services. The physician bills for all services, including the use of office space and supplies, under their single professional fee and medical practice license. Medicare does not provide a separate facility fee for an OBS. The center is a certified Medicare provider and is reimbursed under the Medicare ASC Payment System, which uses Ambulatory Payment Classifications (APCs). Medicare reimbursement is handled locally through Medicare Administrative Contractors (MACs) and involves complex "code-set billing," which can be more challenging to manage. While the ASC's facility fee for a given procedure is lower than a hospital outpatient department's (HOPD) fee (often around 53-60% of the HOPD rate), the total combined payment (physician + facility) can be significantly more profitable for the physician-owner than the office-based rate for specific procedures. Because ASCs have lower overhead, they are less expensive for Medicare and private insurers, which incentivizes payers to steer patients and procedures to ASCs, potentially leading to greater patient volume for ASCs. ASC billing follows specific CMS guidelines and requires a distinct billing process and particular modifiers (e.g., -SG for surgical procedures). This billing specialization can lead to more efficient claims processing and fewer denials when managed correctly. OBS billing can be more complex due to the need to work with local MACs and variable private insurer policies, leading to a less standardized process.

In essence, an ASC license provides a structured, federally recognized pathway to receive a facility fee for services rendered, offering a more stable and potentially higher revenue stream than the more variable and complex reimbursement landscape of an OBS—source: CMS, University of California, Berkley.